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BY EMAIL AND RESS

November 29, 2022

Ms. Nancy Marconi
Registrar
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Marconi,

EB-2022-0041 – Hydro One Remote Communities Inc. – 2023 Revenue Requirement and Rates Application – Interrogatory Responses

Hydro One Remote Communities Inc. is submitting interrogatory responses to questions posed by OEB Staff and intervenors on its 2023 Revenue Requirement and Rates Application.

An electronic copy of the interrogatory responses has been submitted using the Board's Regulatory Electronic Submission System.

Sincerely,

Kathleen Burke

A - OEB STAFF INTERROGATORY - 1

Reference:

No reference provided

Interrogatory:

Updated Revenue Requirement Work Form (RRWF) and Models

Upon completing all interrogatories from Ontario Energy Board (OEB) staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial applications. Entries for changes and adjustments should be included in the middle column on sheet 3 Data_Input_Sheet. Sheets 10 (Load Forecast), 11 (Cost Allocation), and 13 (Rate Design) should be updated, as necessary. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documented on Sheet 14 Tracking Sheet and may also be included on other sheets in the RRWF to assist in understanding of changes.

In addition, please file an updated set of models that reflects the interrogatory responses. Please ensure the models used are the latest available models on the OEB's 2023 Electricity Distributor Rate Applications webpage.

Response:

Please see updated RRWF workform and related revenue requirement spreadsheets in Attachments 1 to 2 of this interrogatory. The RRWF workform has been updated to reflect the following:

- The current business plan and the latest connection schedule filed under EB-2018-0190, Wataynikaneyap Project Semi-annual Report on CWIP Account and Backup Supply Arrangements, dated October 16, 2022; and
- The RRRP funding for Watay amounts based on the outcome of the Wataynikaneyap settlement conference in EB-2022-0149 dated November 2022.

In response to providing an updated set of models that reflects the interrogatory responses, please find below a list of updated tabs in the Chapter 2 Appendices and updates to select tables from the as-filed evidence that were materially affected by this application update. The following is a list of updated files provided as attachments to this interrogatory response and to interrogatory response A-Staff-02:

- Appendix 2JC – OM&A Programs Table in Attachment 3
- Updated cost of power calculation (Exhibit D, Schedule 1, Tab 7) in Attachment 4
- Appendix 2M – Regulatory Costs in Attachment 5
- Updated Table 2 (Forecast RRRP Requirement) per Exhibit G, Schedule 1, Tab 1 in Attachment 6, wherein the total RRRP funding amount is $110,900k (2023) and the total RRRP funding amount is $110,910k (2024 to 2027) subject to the OEB's approval of (i) the RRRPVA balances of $9,732k to be disposed of over the next 5 years, and (ii) the credit forgone revenue rider of $10k to be disposed in this Application
- Updated Exhibit H, Schedule 2, Tab 1, Attachment 7 (Pension Costs in RRRPVA) in Attachment 7

RRWF FOR 2023 FILERS

This exhibit has been filed separately in MS Excel format.

REVENUE REQUIREMENT

This exhibit has been filed separately in MS Excel format.

OM&A PROGRAMS TABLE

This exhibit has been filed separately in MS Excel format.

2023 COST OF POWER

This exhibit has been filed separately in MS Excel format.

REGULATORY COST SCHEDULE

This exhibit has been filed separately in MS Excel format.

FORECASTED RRRP REQUIREMENT REVISED

This exhibit has been filed separately in MS Excel format.

RRRPVA RECONCILIATION SUMMARY (2018-2021)

This exhibit has been filed separately in MS Excel format.

A - OEB STAFF INTERROGATORY - 2

Reference:

Application Update

1. Exhibit F-1-1

Hydro One Remote Communities stated in reference 1 that "during the course of this proceeding, Remotes plans on submitting an update to its evidence to reflect the most recent Remotes' Board approved business plan that will incorporate an updated revenue requirement."

Interrogatory:

a) Please provide any updates as stated in reference 1 and highlight the impacts of those updates.

Response:

The RRWF model has been updated (see A-Staff-01) to reflect the currently approved business plan and factors in the latest Watay schedule as per under EB-2018-0190, Wataynikaneyap Project Semi-annual Report on CWIP Account and Backup Supply Arrangements, October 16, 2022. The RRRP-Watay amounts are also updated to reflect the November 2022, EB-2022-0149 - WPLP Settlement Conference expected amounts.

An overall comparison of the original filling vs. the more recent business plan is as shown in Attachment 1 of this interrogatory response. Updates requested for specific OM&A expenditures (highlighted in Attachment 1), and their forecast amounts after the Wataynikaneyap Project, are provided as Attachment 2 of this interrogatory response. Attachment 2, an updated Appendix 2-JC, also includes reference to any subsequent Staff interrogatories that request these updated forecast amounts.

Additionally, please refer to interrogatory response A-Staff-01 for a list of attachments that reflects other updated costs such as the cost of power calculation, regulatory costs and the RRRP funding requirement.

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TABLE 2 – BREAKDOWN OF RRRP

This exhibit has been filed separately in MS Excel format.

OM&A PROGRAMS TABLE WITH FORECAST

This exhibit has been filed separately in MS Excel format.

A - OEB STAFF INTERROGATORY - 3

Reference:

Wataynikaneyap Schedule

1. Exhibit B-2-1, Page 68
2. EB-2022-0149, Wataynikaneyap Power LP, 2023 Tx Revenue Requirement Application
3. Exhibit B-1-3, Page 2-3, Table 1, filed July 6, 2022
4. EB-2018-0190, Wataynikaneyap Power LP, Semi-annual Report on CWIP Account and Backup Supply Arrangements, Page 11, filed October 16, 2022

OEB staff has prepared a table comparing the schedules for the connection of the sixteen First Nations communities connected to or scheduled to be connected to the Wataynikaneyap Line (Attachment 1), based on the community connection schedules in the application, in Wataynikaneyap Power LP's (WPLP's) 2023 Transmission Revenue Requirement Application (EB-2022-0149) and in WPLP's most recent Semi-annual Report on CWIP Account and Backup Supply Arrangements, as required by the OEB's decision in EB-2018-0190). A comparison reveals that a number of differences in the estimated date of connection, which, based on the evidence in this application and WPLP's 2023 Transmission revenue requirement, is understandable given the size of the project and the unique circumstances of the environment that the Wataynikaneyap Line is being constructed in and of the communities to be served by the line.

OEB staff understands the operating arrangements between Hydro One Remote Communities and WPLP, and of the duty to consult with the affected First Nations Communities, and that many of these changed connection dates are largely outside of the control of Hydro One Remote Communities. However, OEB staff wish to understand the impacts of these, and possibly any further changes in the connection schedules on Hydro One Remote Communities costs, operations and revenue requirement for the 2023 test year.

Interrogatory:

a) Please confirm or correct the table shown as Table 1. If Hydro One Remote Communities has more current information than is shown in the table, please include it and document the source of the update.

b) Please provide Hydro One Remote Communities' proposals for contingency costs related to delays in community connection per the Wataynikaneyap Line connection schedule as factored into the 2023 revenue requirement with respect to the following:
   i. The forecasted contingency funds included for 2023 by category (operating expenses, diesel fuel, capital, etc.) and budgets

ii. Accounting treatment for contingency costs factored into the 2023 revenue requirement if these contingency costs are not incurred

iii. Hydro One Remote Communities' proposal with respect to any new and unanticipated costs incurred in 2023 due to further delays in community connection to the Wataynikaneyap line.

A-Staff-3, Table 1

Comparison of Wataynikaneyap Project Connection Schedule

		Exhibit B-02-01, p. 68	EB-2022-0149, Wataynikaneyap Project 2023 Tx Revenue Requirement Application, Exhibit B/Tab 1/Schedule 3/pp. 2-3/Table 1				EB-2018-0190, Wataynikaneyap Project Semi-annual Report on CWIP Account and Backup Supply Arrangements, October 16, 2022	
Community	**Current service**	**Estimated Connection Date**	**Estimated Date, April 18, 2022 Semi-Annual Report**	**Current Estimated Date**	**Difference (Months)**	**Difference from Exhibit B-02-1, p. 68 (Months)**	**Current Estimated Date**	**Difference from Exhibit B-02-1, p. 68 (Months)**
Pikangikum	HORCI	Aug-22	Jun-22	Aug-22	2	0	Oct-22	2
North Caribou Lake	HORCI	Jul-22	Aug-22	Sep-22	1	2	Oct-22	3
Kingfisher Lake	HORCI	Jun-22	Aug-22	Sep-22	1	2	Nov-22	5
Muskrat Dam	IPA	May-23	May-23	Jun-23	1	1	Jun-23	1
Bearskin Lake	HORCI	May-23	May-23	Jul-23	2	2	Jul-23	2
Sachigo Lake	HORCI	Jul-23	Jul-23	May-24	10	10	May-24	10
Wawakapewin	IPA	May-23	Jun-23	Jul-23	1	2	Jul-23	2
Deer Lake	HORCI	Apr-24	Apr-24	May-24	1	1	May-24	1
Kasabonika Lake	HORCI	Jul-23	May-24	Aug-23	-9	1	Aug-23	1
Kitchenuhmaykoosib Inninuwug + Wapekeka	HORCI	Jun-23	May-24	Apr-24	-1	10	Apr-24	10
Wunnumin Lake	IPA	May-23	May-24	May-23	-12	0	May-23	0
North Spirit Lake	IPA	May-24	May-24	Jul-24	2	2	Jul-24	2
Sandy Lake	HORCI	May-24	May-24	Jun-24	1	1	Jun-24	1
Keewaywin	IPA	May-24	May-24	Aug-24	3	3	Aug-24	3
Pickle Lake	HORCI	Connected	Connected	Connected			Connected	

Response:

a) Remotes confirms the accuracy of the information shown in Table 1, but also notes that the community of Poplar Hill is missing from the connection schedule. As well, the community of Pikangikum is now expected to be grid connected to the upgraded 115kV line in Spring 2023. For the current approved business plan, the Watay connection dates provided under EB-2018-0190, Wataynikaneyap Project Semi-annual Report on CWIP Account and Backup Supply Arrangements, October 16, 2022 are used. For business planning purposes, revenue and cost change in-service dates are one month after proposed connection, as detailed community connection timing is not available.

b) Remotes does not have a proposal for contingency costs related to delays in community connection per the Wataynikaneyap Line connection schedule. Any excess or deficiency in RRRP revenues necessary to ensure break-even results in operations (including the impact of any delays) is added to, or drawn from, the Rural and Remote Rate Protection Variance Account (RRRPVA).

A - OEB STAFF INTERROGATORY - 4

Reference:

US GAAP

1. Exhibit A-1-2-2
2. EB-2021-0110 – Custom IR Application (2023-2027) for Hydro One Networks Inc. (Hydro One) Transmission and Distribution – Settlement Proposal, October 24, 2022, Page 54 & 107

Hydro One Remote Communities stated that consistent with the OEB's decision in EB-2011-0427, it uses US GAAP as its accounting standard.

In the October 24, 2022 settlement proposal for Hydro One, the Parties agreed that Hydro One will continue to report under US GAAP for regulatory purposes for the rate period from 2023 to 2027 for Transmission and Distribution and Hydro One's revenue requirement should continue to be calculated under US GAAP for regulatory purposes.

As described more particularly in Appendix A of the settlement proposal, the Parties agreed that subject to the accounting system limitations identified by Hydro One and the issuance by the IASB of a final IFRS Standard applicable to rate-regulated utilities, Hydro One will in its next cost-based rate application provide, on a best efforts basis, estimated impacts of an initial transition from USGAAP to IFRS for regulatory purposes as at the beginning of the next rate term, as well as estimated impacts on the annual revenue requirements for the remainder of the rate term. Hydro One will also, on a best efforts and without prejudice basis, quantify the incremental costs of transitioning and maintaining IFRS for regulatory purposes.

Interrogatory:

a) Please confirm that Hydro One Remote Communities intends to follow the same commitments made by Hydro One in the October 24, 2022 settlement proposal (including Appendix A), and with the same timeframe, as noted in the preamble to this interrogatory.

b) If this is not the case, please explain.

Response:

a) The commitments made by Hydro One Transmission and Distribution in EB-2021-0110 as part of the Settlement for the next cost-based rate application with respect to the estimated impacts of transition from USGAAP to IFRS are only applicable to Hydro One Transmission and Distribution.

Hydro One Remotes believes that it is appropriate to remain on USGAAP. The additional transition costs and effort far exceed the benefits for Remotes, which is a small business. As well, the driver for IFRS reporting (i.e. Rate Base), are not the same given our rate and RRRPVA business model.

To the extent that Hydro One Transmission and Distribution will adopt IFRS for Regulatory Reporting Purposes at some point in the future, Hydro One Remotes will assess at that time the practicality of remaining on USGAAP vs. continuing to follow the Accounting Standard consistent with Hydro One Transmission and Distribution.

b) See part a)

B - OEB STAFF INTERROGATORY - 5

Reference:

Wataynikaneyap Grid Connection 4-Pole Cluster

1. Exhibit B-2-1-1 - Watay Grid Connection 4-Pole Cluster

This project is for the design and construction of poles at the communities being connected to the Wataynikaneyap Transmission project. Hydro One Remote Communities has 3 planned communities in 2022, 8 communities in 2023, and 5 communities in 2024. The estimated total cost is $7.4M or $463k per community or $116k per pole.

Interrogatory:

a) Please provide an update to the number of communities each year in 2022, 2023, and 2024.

b) Hydro One Remote Communities stated that a significant portion of the cost is mobilization and demobilization. Please provide the average estimated cost of mobilization and demobilization for these remote communities.

c) Hydro One Remote Communities stated that similar individual pole designs have been used in the past, but this is the first time it is being used in a clustered manner. Please provide the historical average cost of the individual pole designs for each of the 4 poles.

Response:

a) Including Pikangikum, Remotes has 3 communities connecting in 2022, 5 communities connecting in 2023, and 8 communities connecting in 2024; consistent with the Watay connection dates provided under EB-2018-0190, Wataynikaneyap Project Semi-annual Report on CWIP Account and Backup Supply Arrangements, October 16, 2022.

b) Poles are shipped via winter road. The remaining material is expected to be mobilized to site via plane. The total material mobilization costs are about $20k. The cost to mobilize a crew to site each week is approximately $14k and the work generally takes 2 weeks to complete.

c) Similar pole designs have been used by Hydro One Networks, but Remotes only has experience installing the Viper switch pole design (one of the four poles). Recent Viper installations have an average historical cost of $108k.

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B - OEB STAFF INTERROGATORY - 6

Reference:

Armstrong A&B Unit Generator Replacements

1. Exhibit B-2-1-3 - Armstrong A&B Unit Generator Replacements

Hydro One Remote Communities is planning to replace 2 generator units that have a capacity of 725kW with a third generator unit needing replacement soon.

Interrogatory:

a) Please provide the historical load for the Armstrong diesel generation station.

b) Did Hydro One Remote Communities consider larger generators so that the third generator could be retired in the future and the station operates with 2 generators instead? If not, why not?

c) Please provide the cost difference between installing two 725kW generators and two 1500kW generators.

Response:

a) The peak loads for the past 10 years are provided in the table below. Peak loads occur between mid-December and late-February. Summer loads are typically around 650kW during the day and 400kW at night.

Year	Peak Load (kW)
2012	860
2013	952
2014	1021
2015	1035
2016	974
2017	980
2018	1042
2019	1093
2020	953
2021	1024
2022	1021

b) A generating station is not designed that way for a few reasons:

i. As noted in a) above, the load in remote communities varies by a wide ratio between summer and winter. Generator fuel efficiency is best when an engine is loaded at 65% - 80% of its nameplate rating. A large generator sized for winter loads would have poor fuel efficiency in the summer.

ii. Low summer loads on a large generator would cause maintenance issues. Diesel engines that run at loads lower than 50% of their nameplate rating do not run hot enough to burn the fuel completely, so they tend to develop deposits that increase unplanned maintenance and decrease the engine's longevity.

iii. Because properly sized generators are required to supply both the summer and winter loads, a three-unit station is required to provide redundancy. If the larger generator fails in the winter, the remaining generators must be able to supply the winter load. Remotes' stations have typically been designed using the A+B=C methodology for generator sizing (i.e., 400kW, 600kW, 1000kW), which is noted as best industry practice among off-grid utilities. The Armstrong station does not follow the ideal sizing methodology, due to its emergency initial construction and Armstrong's forestry/commercial related load. The Armstrong plant does have a large unit for winter loads and smaller units for summer loads, where the two smaller units can supply the winter load when run together, in the event that the large unit is out of service.

iv. The three-unit plant provides maintenance redundancy. A planned major overhaul on generating units like these takes approximately 2 to 3 weeks and requires units to be completely removed from service. Should there be any unplanned operating issues on the remaining unit in service, there would be no further redundancy.

c) The cost difference between the generators would be about $700k for each unit. The auxiliaries for the larger unit would cost more. Overall, the difference between installing two 725kW generators and two 1500kW generators would be approximately $1.8M. The larger generator rating might also require new electrical switchgear, which would add about $1.5M in costs.

B - OEB STAFF INTERROGATORY - 7

Reference:

Big Trout Lake A Unit Generator

1. Exhibit B-2-1-4 - Big Trout Lake A Unit Generator
2. Exhibit B-2-1-1 - Watay Grid Connection 4-Pole Cluster

Hydro One Remote Communities is planning to replace Big Trout Lake DGS with a modular DGS. The existing B and C generation units, each with 1000kW capacity, will be decommissioned and either placed in storage or used as spare units. In reference 2, it shows that the community of Pikangikum, Weagamow, and Kingfisher are connected to Wataynikaneyap project in 2022 and Big Trout Lake in 2023. After Big Trout Lake is connected to Wataynikaneyap project, Hydro One Remote Communities intends to keep the modular DGS as a backup supply.

Interrogatory:

a) Please explain why the existing B and C generation units could not be moved to Armstrong DGS.

b) Please explain why Big Trout Lake could not be prioritized connection to other communities in 2022 to avoid this investment.

c) Please explain if Hydro One Remote Communities considered a similar modular design for Armstrong DGS. If not, why not?

d) Since the modular DGS is meant as a backup supply, please explain why maintaining the existing B and C generation units would not be sufficient.

Response:

a) The existing B and C generation units would not be well suited to the loading in Armstrong. Fuel efficiency would suffer in the summer as the Big Trout generators would operate outside of their ideal operating range (65% to 80% of nameplate rating). They would require more maintenance as they would be lightly loaded, which leaves deposits in turbochargers, aftercoolers, and cylinders. The Big Trout generators are also not Tier-rated and would have higher diesel engine emissions than new Tier-rated generators. There would be an increased cost to Remotes to offset those emissions to reach upcoming emission targets. Lastly, the B unit has 72,000 hours on it, and is already beyond the replacement threshold for an 1800rpm generator.

b) Remotes has no influence on Watay construction schedule prioritization and unfortunately Big Trout (KI) has now been delayed until spring 2024.

c) Remotes did not consider a modular station for Armstrong. Modular stations are not well suited for prime power applications. Maintenance inside the containers is difficult, particularly engine overhauls. Backup stations are not expected to run enough to require overhauls, so maintenance is not a concern. The Big Trout Lake modular station will run for one year as prime power, but the engines will each run approximately 4,000 hours which is well below the 10,000-hour interval for a top-end overhaul.

The Armstrong station is a modern station in very good condition. It is much better suited for prime power than a modular station.

d) There are several reasons why that option would not be sufficient.

i. The fuel system requires complete replacement to meet code. That work is estimated to be $1.2M.
ii. The B unit ventilation is not sufficient to run the generator highly loaded in the summer. It would need to be retrofitted at an approximate cost of $200k.
iii. The switchgear and transformers are not rated for the expected backup loads so they would require replacement at approximately $1.8M.
iv. The expected backup load is over 2MW so a third generator would be required in a new room, estimated at approximately $6M based on recent projects. A larger generator in one of the existing rooms is not an option.
v. The Big Trout B unit has 72,000 hours on it and is already beyond the 60,000-hour replacement threshold for an 1800rpm generator. The 17,000 hours reported are only since the generator was overhauled after a major failure in 2019.

B - OEB STAFF INTERROGATORY - 8

Reference:

Lansdowne House (Neskantaga) C Unit Generator Replacement

1. Exhibit B-2-1-5 - Lansdowne House (Neskantaga) C Unit Generator Replacement
2. Exhibit B-2-1-4 - Big Trout Lake A Unit Generator

Hydro One Remote Communities is planning to replace one 1800rpm generator at Lansdowne House. In reference 2, Hydro One Remote Communities has a 1000kW 1800rpm generation unit that has 17k engine hours.

Interrogatory:

a) Please explain whether this unit can be used to replace the Lansdowne House C unit. If not, why not?

Response:

a) The Big Trout Lake generator is too large to replace the Lansdowne C Unit. It would force the D unit to run when the load surpassed 248kW (90% of the A unit rating). The D unit has a nameplate rating of 900kW and should not run below 450kW (50% of its rating). Doing so would cause maintenance and reliability issues due to deposits building up within the engine.

The 17,000 hours reported for the Big Trout B unit are operating hours since it was rebuilt after a major failure in 2019. The block, crankshaft, and generator have 72,000 operating hours, which is beyond the replacement threshold of 60,000 hours for an 1800rpm generator.

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B - OEB STAFF INTERROGATORY - 9

Reference:

Beaverhall Facility Expansion/Relocation

1. Exhibit B-2-1-9 - Beaverhall Facility Expansion/Relocation

Hydro One Remote Communities stated that the space at their main office is no longer adequate. Hydro One Remote Communities stated that they need to accommodate up to four people to account for increased work with the additional six Independent Power Authority communities being added. Hydro One Remote Communities also stated that a preferred option has not been identified but has estimated the total cost to be $2M.

Interrogatory:

a) Please provide an update on whether Hydro One Remote Communities has a preferred option.

b) Please provide an estimated breakdown of the $2M between the yard, shop, and office space.

c) What is the current working from home and working in the office arrangement for Hydro One Remote Communities staff at this facility? How many days are staff in the office?

d) How has Hydro One Remote Communities has considered the impacts of a remote or hybrid work model in assessing the need for more office space.

e) Option 3 provided is to buy a new facility and sell the existing one which is also estimated to be $2M. The estimated value of the existing facility is $2.3M. How does Hydro One Remote Communities propose to deal with gains, if any, from the sale of the existing facility?

f) Please provide the approximate number of square footage per employee.

Response:

a) Currently the preferred option is to expand our existing facility to provide the additional office and yard space.

b) Cost breakdown by area.

Area	Cost (in $k)
Office Upgrade	$1,236
Shop Upgrade Cost	$464
Yard Expansion	$300
Total	**$2,000**

c) Currently all operations staff are working from the office on a full-time basis. Our engineering and financial teams work a hybrid model where they work two days in the office and three days from home each week. We have a total of 12 staff working the hybrid model with Tuesday being an all-staff anchor day.

d) Hydro One Remote Communities is currently in the trial stage of the hybrid work model and has not committed to this on a permanent basis. We have not reduced our requirement for office space as there are days when we will require both the financial and engineering teams in the office on the same workdays. Individual workstations are set up to provide proper ergonomics for the worker and groups are clustered to use common shared assets such as a drafting printer. Sharing workspaces would not provide a proper working space when all staff are in the office.

e) Any proceeds on the sale of the existing building would be recorded in the income statement offset by the NBV of the building sold. The resultant net gain would flow through the RRRP variance account.

f) Currently we have approximately 409 sq ft. of office space per employee, including common areas such as: meeting rooms, lunchroom, bathrooms, hallways, mail room, printers and copiers, and record storage, etc. Due to multiple expansions and additions to the building, the workspace arrangements are less efficient and do not provide additional flexibility.

B - OEB STAFF INTERROGATORY - 10

Reference:

CDM

1. Distribution System Plan, s. 5.3.5
2. Exhibit D-1-6
3. Appendix 2-JC (OM&A Programs)

Hydro One Remote Communities indicates forecast Community Relations OM&A expenditures for 2023 of $682k, for customer outreach activities including a conservation and demand management (CDM) program. Appendix 2-JC breaks down these expenditures by category, including energy conservation. Section 5.3.5 of the Distribution System Plan discusses Hydro One Remote Communities' CDM activities.

Interrogatory:

a) Please clarify if the "energy conservation" spending (line 5415) in Appendix 2-JC includes staffing costs, other CDM program administration/delivery costs, and incentives paid to customers.

b) If so, please break down the forecast CDM costs in 2023 and the historical CDM costs for 2018-2021 into these (or similar) categories.

Response:

a) Yes, the "energy conservation" spending (line 5415) in Appendix 2-JC does include staffing costs, other CDM program administration/delivery costs, and incentives paid to customers.

b) The breakdown of CDM costs is provided below:

($k)	**2018**	**2019**	**2020**	**2021**	**2023**
Program Delivery	$7	$4	$7	$3	$6
Staffing costs	14	36	26	23	40
Incentives	2	30	38	3	33
Total	**$23**	**$70**	**$71**	**$29**	**$79**

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B - OEB STAFF INTERROGATORY - 11

Reference:

CDM

1. Distribution System Plan, s. 5.3.5
2. 2021-2024 Conservation and Demand Management Framework Directive
3. "Energy Efficiency Programs for First Nation Communities" (IESO presentation, November 4, 2021)

Section 5.3.5 of the DSP describes Hydro One Remote Communities' plans to continue offering energy conservation programs to its customers. The presentation "Energy Efficiency Programs for First Nation Communities" describes conservation programs delivered by the IESO and funded through the 2021-2024 CDM Framework for First Nation communities, including a Remote First Nation Energy Efficiency Program eligible to many of the communities served by Hydro One Remote Communities.

Interrogatory:

a) OEB staff's understanding is that CDM programs delivered and funded by the IESO under the 2021-2024 CDM Framework are offered to all First Nations communities that are or will be connected to the IESO-controlled grid, including those communities that will be connected to the IESO-controlled grid in the future through the Wataynikaneyap project. Please confirm if this is also Hydro One Remote Communities' understanding.

b) Given the IESO programs for First Nations, has Hydro One Remote Communities reviewed its proposed CDM program offerings, in order to maximize customer uptake and avoid customer confusion or CDM program duplication? Please describe.

Response

a) Yes. The IESO is and has been offering some CDM programs to First Nation communities that are or will be connected to the IESO-controlled grid.

b) Yes. Hydro One Remotes periodically reviews its program offerings. The IESO is currently offering three programs for First Nation communities:

   1. First Nations Community Building Retrofit Program (FNCBRP)
   2. ENERGY AFFORDABILITY PROGRAM (EAP)
   3. Remote First Nations Energy-Efficiency Program (RFNEEP)

Comparing Hydro One Remotes Programs with IESO offerings shows some overlap for the few communities that are eligible for programming related to business commercial lighting retrofits. Six of the First Nation communities Hydro One Remotes serves are ineligible for any IESO program, so it is important to maintain our "Commercial Lighting Retrofit Program"; it offers great benefit to community energy savings, especially given that these are the Diesel Generation Station powered communities that are not planned to be grid-connected and are constantly striving to lower their growing electrical load.

Remotes' other programs, including the Streetlight Retrofit Program and the Energy Star Appliance Rebate, are complementary to IESO initiatives.

B - OEB STAFF INTERROGATORY - 12

Reference:

CDM

1. Distribution System Plan Material Investment Narratives: Landsdowne House (Neskantaga) DGS Upgrade and Gull Bay (KZA) DGS Upgrade, Pages 192-215 of 798.

Hydro One Remote Communities discusses proposed diesel generation upgrades driven by capacity growth and indicates that demand management and/or alternative generation sources are not viable options.

Interrogatory:

a) Given Hydro One Remote Communities' experience delivering CDM programs, please provide more details as to why Hydro One Remote Communities does not consider CDM (alone, or in combination with alternative generation and storage) as a viable solution to manage capacity growth in Landsdowne House and Gull Bay. Has Hydro One Remote Communities undertaken any analysis of the conservation potential in these communities, based on their existing energy use and building stock?

b) Given Hydro One Remote Communities' experience with the REINDEER renewable energy program, please provide more details as to why Hydro One Remote Communities does not consider alternative generation and storage (alone, or in combination with CDM) as a viable solution to manage capacity growth in Landsdowne House and Gull Bay.

c) Should Hydro One Remote Communities identify a viable solution based on CDM and/or alternative generation and storage that would avoid or defer capital spending on diesel generation, does Hydro One Remote Communities believe that Indigenous Services Canada would give consideration to providing funding for such a solution? Why or why not?

Response:

a) CDM programs do help, but only get energy reductions so far, as there are cost effectiveness limits to CDM improvements done to the same limited building stock repeatedly. A fundamental shift in government policy and funding would be needed to make the significant CDM gains required. We are also in a phase of unprecedented community development and growth, due to federal Indigenous investments in housing, health care, water, and education.

Additionally, due to lower installation and operating cost, strong reliability, and limited options, most new housing is electrically heated within our service territory, which works

directly against CDM measures and reduced electricity use. Plainly put, Hydro One Remotes does not have the mandate, funding, or operational capability to address generational housing or community infrastructure issues in Indigenous communities. Also, IESO programs are providing more robust funding and programs related to building stock improvements, so it would make little sense to duplicate program efforts.

Cost effective alternative generation and storage do not exist within our service territory, except for the two mini-hydro stations in service. Wind power has been used in three remote communities and found to be unsuitable for prime power due to poor wind resources in Ontario's North. Solar projects in Gull Bay and other communities have shown potential but are not cost-effective alternatives to diesel power.

Remotes has not undertaken any community energy plans or conservation analysis for Lansdowne House or Gull Bay. Many communities have undertaken IESO funded community energy plans, however larger CDM programs and initiatives do not generally align with the findings, and execution of work remains a challenge in isolated locations.

b) Diesel generation remains the most reliable, cost-effective situation for remote and isolated communities. Hydro One Remotes does not have the mandate, necessary funding, or operational capability to do large scale renewable projects. Government policy and utility regulation also does not support the additional investment by Remotes as a utility. REINDEER is a customer and business-based initiative, and if there was a cost effective, reliable solution it would be widespread across Canada.

c) Should a viable solution be found, we would expect that Indigenous Services Canada would support such an effort, given Federal environmental and Indigenous quality of life commitments. By example, during the traditional upgrade process, Indigenous Services Canada and Remotes have supported community solar panel installations instead of additional fuel storage tank capacity, which shows both parties willingness to explore alternative options.

C - OEB STAFF INTERROGATORY - 13

Reference:

Load Forecast

1. Exhibit C-1-1, Pages 1 and 3
2. Chapter 2 Filing Requirements 2022 Edition for 2023 Rate Applications, dated April 18, 2022, section 2.3.1

Hydro One Remote Communities appears to underscore the importance of its load forecast stating that its "load forecast underpins its revenues from customers and its fuel forecast." It later states it does not normalize its load forecast for weather and gives as one of the reasons that "it is operated as a break-even business" and "does not stand to profit as a result of forecasting errors". The rationale also includes the lack of available weather and economic data suitable for its service areas. The load is forecasted using historical trends as well as information from Band Councils, Indigenous Services Canada (ISC), and employees.

The filing requirements provide two options for load forecasting, one of which is Normalized Average use per Customer (NAC).

Interrogatory:

a) Has Hydro One Remote Communities considered a NAC approach to forecasting?

b) Please compare the methodology and merits of Hydro One Remote Communities' approach to incorporating a NAC approach for the baseline forecast with adjustments for information from Band Councils, ISC, and employees.

Response:

a) Remotes uses an approach similar to NAC. Remotes bases its forecast for each community on a historical 3-year customer average by rate class, factoring in adjustments relating to known projects such as new schools, water treatment plants, nursing stations and band offices.

b) Remotes uses a NAC approach, but refinements are made to consider the impacts of capital investments such as schools, water treatment plants, nursing stations and band offices. Remotes services a small population size (currently ranging from just 29 to 588 customers per community) and as a result, major projects have large swings which renders the straight NAC approach not appropriate. Load growth is also significantly influenced by the level of government funding initiatives and major infrastructure investments, or lack thereof.

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D - OEB STAFF INTERROGATORY - 14

Reference:

Generation OM&A

1. Exhibit D-1-2

Hydro One Remote Communities' forecasted generation OM&A expenditures are $2.67M lower than 2018 approved partially due to decreased DGS operations.

Interrogatory:

a) Please provide the number of estimated DGS that will no longer be in service at the end of 2023.

b) Please provide the forecasted reduction in generation OM&A when all DGSs are retired after the Wataynikaneyap project.

Response:

a) Hydro One Remotes will have one DGS (North Caribou Lake/Weagamow) that will no longer be in service at the end of 2023.

b) Please see Attachment I-1-A-Staff-02-02 for the forecasted reduction in generation OM&A.

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D - OEB STAFF INTERROGATORY - 15

Reference:

Fuel OM&A

1. Exhibit D-1-3

Hydro One Remote Communities stated that the lower fuel costs are due to lower community load and offset by increased unit price.

Interrogatory:

a) Please update the expected latest expected fuel costs.

b) Please provide the forecasted fuel OM&A when all DGSs are retired after Wataynikaneyap project.

c) Please provide the fuel efficiency of the new DGS and explain if they have a better fuel efficiency than the retired units. How did Hydro One Remote Communities take the new units' fuel efficiency into account for the forecast?

Response:

a) Please see Attachment I-1-A-Staff-02-02 for the latest expected fuel costs.

b) Please see Attachment I-1-A-Staff-02-02 for the forecasted fuel OM&A.

c) Newer, properly sized plants are generally more fuel efficient. The 2021 fuel efficiency average was 3.59 kWh/L, which ranges from 2.44 to 3.89 kWh/L. This represents a wide spread of fuel efficiency and performance; with smaller plants generally being less efficient than larger sized plants.

Remotes does not consider new units' fuel efficiency in its forecast. Although fuel efficiency is improved through a new unit replacement, fuel efficiency is based on average historical usage as it provides a reasonable predictable trend and is more accurate than generator manufacturer's data. Fuel efficiency is impacted most significantly by unit sizing as well as the variability and amount of community load, as it will dictate which unit runs. Fuel efficiency is also impacted by units being out of service for either planned or unplanned maintenance, as other units will run instead of the ideal, most fuel-efficient unit.

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D - OEB STAFF INTERROGATORY - 16

Reference:

Distribution OM&A

1. Exhibit D -1-4

Hydro One Remote Communities stated that the distribution costs were forecasted based on a historical 3-year average adjustment for inflation and communities connected to the grid.

Interrogatory:

a) Please provide a breakdown of the 2023 distribution costs by 3-year average, inflation, and communities connected to the grid.

b) Please explain why Hydro One Remote Communities chose to use a 3-year average as opposed to a 5-year average, which is the approach used to forecast other OM&A programs (i.e., customer care and community relations).

c) Please provide the forecasted Distribution OM&A when DGSs are retired after the Wataynikaneyap project.

d) In Table 2, Hydro One Remote Communities stated that the driver for the cost increase is the maintenance cost after connecting the IPAs. Please provide the number of IPA communities connected each historical year.

e) Please provide more information about the about the maintenance costs and explain the maintenance work if no IPAs have connected.

Response:

a) Table 1 in Exhibit D-01-04 has been updated to reflect the current approved Business Plan.

Table 1 - Distribution OM&A Revised (*in thousands $*)

Category	Board Approved	Historic (Actuals)				Bridge	Test
	2018	2018	2019	2020	2021	2022	2023
Distribution Maintenance	1,898	1,696	1,970	2,921	2,066	2,434	3,133
Distribution Operations	116	62	108	154	524	190	391
Total	**2,014**	**1,758**	**2,078**	**3,075**	**2,590**	**2,624**	**3,524**

A breakdown of the 2023 distribution costs is as follows:

Type (costs in $k)	Average	Transfer to Grid	IPAs	Inflation	New Ongoing Mtce	Grid One Time Costs	Total
Off Grid	1,979	(321)	-	67	-	-	1,725
Grid	233	321	179	13	438	614	1,799
Total	**2,212**	**-**	**179**	**80**	**438**	**614**	**3,524**

b) Remotes uses a 3-year average as it is more indicative of the more recent distribution activities relating to increased load growth, customers, and demand.

c) Please see Attachment I-1-A-Staff-02-02 for the forecasted Distribution OM&A.

d) Three IPAs are to be connected in 2023 and three IPAs are to be connected in 2024.

e) Distribution maintenance costs including on-going activities such as forestry and maintenance, as well as trouble calls, are generally increasing over time as Remotes' service territory expands. Maintenance on distribution assets is intended to ensure that the overall reliability of the distribution systems is maintained or improved, customer commitments are met, and all legislative and regulatory requirements are met.

Most of the maintenance costs are forecasted based on a historical 3-year average, other than forestry /right of way maintenance which is based on a forestry cycle pattern, adjusted for inflation and for communities connecting to the grid, and are further described in Exhibit D, Tab 1, Schedule 4. The planned maintenance costs for the IPAs are based on communities

that Remotes currently serves of similar size. If no IPAs are connected, the maintenance costs will be less than planned, as costs will not be incurred.

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D - OEB STAFF INTERROGATORY - 17

Reference:

Customer Care OM&A

1. Exhibit D-1-5

Hydro One Remote Communities stated that the Customer Care costs were forecasted based on a historical 5-year average adjustment for inflation and communities connected to the grid.

Interrogatory:

a) Please provide a breakdown of the 2023 distribution costs by 5-year average, inflation, and communities connected to the grid

b) Please provide the forecasted Customer Care OM&A when all Wataynikaneyap project communities are connected.

Response:

a) Table 1 in Exhibit D-01-05 has been updated to reflect the current approved Business Plan.

Table 1 - Customer Care OM&A Revised (*in thousands $*)

Category	Board Approved	Historic (Actuals)				Bridge	Test
	2018	2018	2019	2020	2021	2022	2023
Customer Care	2,151	1,800	1,860	1,563	1,556	2,075	2,127
Bad Debt (Recovery)	0	12	122	312	(147)	209	50
Total	**2,151**	**1,812**	**1,982**	**1,875**	**1,409**	**2,284**	**2,177**

A breakdown of the 2023 Customer Care costs is as follows:

Average	IPAs	Inflation	Grid One Time Costs	Total
2,015	36	77	49	2,177

b) Please see Attachment I-1-A-Staff-02-02 for the forecasted Customer Care OM&A.

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D - OEB STAFF INTERROGATORY - 18

Reference:

Community Relations OM&A

1. Exhibit D-1-6

Hydro One Remote Communities stated that the Community Relations costs were forecasted based on the historical 5-year average and customer outreach for the new communities connected to Hydro One Remote Communities service territory.

Interrogatory:

a) Please provide the forecasted Community Relations OM&A when all Wataynikaneyap project communities are connected.

Response:

a) Please see Attachment I-1-A-Staff-02-02 for the forecasted Community Relations OM&A.

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D - OEB STAFF INTERROGATORY - 19

Reference:

Other Power Supply Expenses OM&A

1. Exhibit D-1-7
2. Exhibit D -1-7-1

Hydro One Remote Communities stated that it expects the cost of power and Wataynikaneyap transmission connection costs to increase in the test year as a result of the Wataynikaneyap project.

Interrogatory:

a) Please update the forecasted cost of power and Wataynikaneyap transmission connection costs.

b) Please explain how the 0.15 per kWh was calculated for the Cost of Power.

c) Please explain how the distribution and transmission loss factor was calculated.

Response:

a) Please see Attachment I-1-A-Staff-02-02 for the forecasted cost of power and Wataynikaneyap transmission connection costs.

b) The 0.15 per kWh was calculated based on the 2020 average actual total cost of power per kWh purchased for Pikangikum, which represented all available grid connection data at the time of preparation.

c) The distribution and transmission loss factors are based on the 2020 average actual distribution and load loss factors for Pikangikum, which represented all available grid connection data at the time of preparation.

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D - OEB STAFF INTERROGATORY - 20

Reference:

Shared Services and Other Administrative Costs

1. Exhibit D-1-8
2. Chapter 2 appendices – 2-JC
3. EB-2021-0110 Settlement Proposal, October 24, 2022

Interrogatory:

Hydro One Remote Communities stated that the methodology and allocations of shared services and assets from Hydro One to Hydro One Remote Communities are supported by the updated 2023 Black & Veatch (B&V) Study.

a) In reference 3,

> the parties agree that the methodologies used to allocate Common Corporate Capital expenditures to the Transmission and Distribution businesses (Allocation of Shared Assets Methodology) and to determine the Overhead Capitalization Rates for the Transmission and Distribution businesses (Overhead Capitalization Rate Methodology), are appropriate.

Please confirm if this will result in any changes to the costs allocated to Hydro One Remote Communities.

Hydro One Remote Communities also stated that the higher forecasted Miscellaneous General Expense and General Plant is due to the reallocation of cost from the Generation Maintenance of Structures account.

b) The Miscellaneous General Expense and General Plant increased by about $1.1 million, while the Generation Maintenance of Structures (account 4610) decreased by about $0.4 million. Please explain the additional increase of $0.7 million.

Response:

a) Confirmed. This will result in no changes to the costs allocated to Remotes.

b) The additional increase of $0.7 million relates to increased civil maintenance work relating to auxiliary buildings and the service centre.

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D - OEB STAFF INTERROGATORY - 21

Reference:

Costing of Work

1. Exhibit D-2-2
   In reference 1, Hydro One Remote Communities provided the forecasted labour rate and transport & work equipment for 2023.

Interrogatory:

a) Please provide the same labour rate breakdown for 2018-2022 provided in table 1 of reference 1.

b) Please provide the same transport & work equipment breakdown for 2018-2022 in reference 1.

Response:

a) Labour rate breakdown for 2018-2022 is provided below:

Rate Component	2018 Billable $ per Hr.	2019 Billable $ per Hr.	2020 Billable $ per Hr.	2021 Billable $ per Hr.	2022 Billable $ per Hr.
Meal Surcharge	$5	$6	$7	$7	$8
Payroll Obligations	$70	$70	$76	$75	$77
Non-Labour Administration Costs	$14	$9	$7	$7	$8
Non-Project, Administration, Management and Support Services Labour	$81	$75	$77	$79	$81
Total	**$170**	**$160**	**$167**	**$168**	**$174**

b) Transport & work equipment breakdown for 2018-2022 is provided below:

	2018	2019	2020	2021	2022
T&WE Cost Forecast (including SLA)	$1,301k	$1,594k	$1,565k	$1,264k	$1,532k
Forecasted T&WE Hours	24,903	26,088	25,864	25,780	25,444
Total Average T&WE Rate/Hour	$52	$61	$61	$49	$60

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D - OEB STAFF INTERROGATORY - 22

Reference:

Corporate Staffing

1. Exhibit D-2-1
2. Chapter 2 Appendices – 2-K

Hydro One Remote Communities stated that it has 61 full-time staff as well as contract and Hiring Hall staff (10 to 15 staff). Hydro One Remote Communities also stated that its work program has increased over the past four years due to generation upgrade construction projects. In reference 2, it shows the total FTE for 2023 is 72.4.

Interrogatory:

a) Please confirm that 12 of the 72.4 FTEs are PWU hiring hall and included in the non-management line of appendix 2-K or provide a breakdown of the FTEs in 2-K by full-time staff and contracted staff.

b) Please confirm if the increased work from the generation upgrade projects was driven by full-time staff reallocated to the Wataynikaneyap project. If not, please explain the increase in generation upgrade work in recent years.

c) Please provide the number of employees eligible for retirement in each year for the next 5 years and indicate whether that position has an employee overlapping as part of a succession plan. Please also describe the position.

d) Hydro One Remote Communities stated that the increase in staff is largely (7-10 FTEs) related to the Wataynikaneyap project which drives new business requirements and processes. Please provide an update on the planned additional full-time FTEs and the positions.

Response:

a) Remotes confirms that 12 of the 72.4 FTEs are PWU hiring hall and included in the non-management line of appendix 2-K.

b) The increase in generation work has been driven by federal investments to improve the lives of Indigenous Canadians. Investments in housing, health care, water systems, and education have been occurring at a record pace. Given Watay delays, existing generation assets can no longer meet electrical capacity the communities require. As well, the communities have outgrown not just the capacity of the existing DGS, but the plant footprint since larger units require more physical space, causing the need for more complex projects involving new

building construction. Additionally, Generation assets have defined lifespans, based on running hours, so many are at or approaching end of life.

c) The number of employees eligible for retirement is provided below:

	1st Year Eligible					
	2023	**2024**	**2025**	**2026**	**2027**	**2028**
MCP	0	0	0	0	0	0
PWU	0	0	2	1	0	2
SOC	1	0	1	0	0	0
Total	**1**	**0**	**3**	**1**	**0**	**2**

	Cumulative Eligible					
	2023	**2024**	**2025**	**2026**	**2027**	**2028**
MCP	0	0	0	0	0	0
PWU	6	6	8	9	9	11
SOC	4	4	5	5	5	5
Total	**10**	**10**	**13**	**14**	**14**	**16**

The positions are as follows:

Position	Number
Regional Maintainer – Electrical	1
Regional Maintainer – Lines	2
Regional Maintainer – Mechanical	3
Remote Sr. Community Engineering/Officer	2
Remote Community Distribution Engineering Meter Specialist	1
Generation Maintenance Front Line Manager	1
Lines & Scheduling Front Line Manager	1
Operations Front Line Manager	1
Customer Care Team Lead	1
Customer Operations Support Rep - Generation	1
Engineering Technician	1
Sr. Accounting & Financial Analyst	1
Total	**16**

Remotes does not generally post jobs until the employees are confirmed retired. Due to the staffing and hiring process there is rarely overlap.

d) There are no material changes or updates to the staffing plan as described in Exhibit D-2-1.

D - OEB STAFF INTERROGATORY - 23

Reference:

Compensation

Exhibit D-3-1

Hydro One Remote Communities stated that has not undertaken any relevant studies (e.g., compensation benchmarking) conducted by or for the distributor, unique to Remotes. A few minor compensation items are unique to Remotes:

- Employees perform additional paid duties outside of normal job classification
- Employees are also entitled to negotiate overnight field allowances and subsistence allowances related to overnight stays in isolated communities
- Employees work increased amounts of overtime relative to other organizations

Interrogatory:

a) Please provide the policy on how the amount paid for duties outside of normal job classification is determined.

b) Please provide the process/policy on how allowances for overnight stays in isolated communities are negotiated.

c) Please explain how Hydro One Remote Communities determines overtime is required and when additional headcount should be added.

d) Please provide the number of hours of overtime charged for each year between 2018 to 2022 by position type.

e) Please provide the overtime payment rates.

Response:

a) Amounts paid for duties outside of normal job classification are negotiated with local union representatives.

b) Amounts paid for allowances for overnight stays in isolated communities are negotiated as part of the broader union collective agreement negotiations.

c) Overtime is a key component of the HORCI resource strategy. Overtime usage is not a factor in determining FTE levels. The geography of the service territory, the limited travel options available (i.e. flight schedules, plane capacity), crew size limits (i.e., accommodations, DGS

rooms) and the nature of the work performed require optimizing work schedules in order to ensure timely completion, and to provide adequate retention incentives for employees in regions with limited labour availability. Headcount or staff are added based on work program requirements and expected resource needs.

d) The number of hours of overtime worked for each year between 2018 to 2022 is provided below:

	2018	2019	2020	2021	Oct YTD 2022
PWU	10,790	10,462	10,023	9,124	9,059
SOC	1,763	1,718	1,698	1,394	914
Casual	4,800	4,886	4,676	4,996	3,207
Total	**17,353**	**17,066**	**16,397**	**15,514**	**13,180**

e) Overtime ("OT") rates are negotiated with Hydro One's union partners during collective bargaining. Rates paid depend on employee status, and the union representation of the individual. Current overtime rates are set out in the applicable collective agreements.

PWU Regular status employees: 2X for all OT hours worked.
For SUP Regular employees, 1.5X when OT performed on Monday to Friday after normal hours, or on Saturday, and 2X for OT on Sundays and statutory holidays.

For casual employees from the PWU HH, overtime is paid at 1.5X their normal rate for the first two hours after normal quitting time, and 2X for weekend and holiday overtime hours worked.

D - OEB STAFF INTERROGATORY - 24

Reference:

Regulatory Costs

Exhibit Chapter 2 appendices – 2-M

Hydro One Remote Communities proposed $50k in intervenor costs but there is only one intervenor in this case.

Interrogatory:

a) Please provide an updated intervenor cost with one intervenor.

Response:

a) The as-filed intervenor costs of $50k were based on historic participation levels from Intervenors in prior applications. An updated cost for one intervenor is $25k, however it should be noted that the proposed amount is still below materiality thresholds. An updated Appendix 2M has been provided as an attachment to interrogatory response A-Staff-01.

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F - OEB STAFF INTERROGATORY - 25

Reference:

Other Revenue

Exhibit F-3-1

Hydro One Remote Communities forecasts a total other revenue of $915k. In their 2018 cost of service application, Hydro One Remote Communities forecasted $999k but the actual other revenue was $1.4M. In subsequent years, 3 of the 5 years had higher amounts than the 2018 approved other revenue. Hydro One Remote Communities stated that the reasons for the increase were CIAs and a decrease in streetlight projects.

Interrogatory:

a) Please explain the driver for the increase in CIAs and why this volume is not expected to continue into the five-year forecast period.

b) Please explain why there will be significantly fewer streetlighting projects over the five-year forecast period considering the connection of new communities.

Response:

a) CIAs are driven by customer requests related to renewable projects. In 2018, CIAs were higher than normal due to CIAs related to one-time solar projects in Fort Severn and Gull Bay. Considering the Watay grid connection, there is reduced interest in pursuing renewables going forward because the more lucrative REINDEER rates, which are based on the avoided cost of diesel, are no longer available after grid connection. As a result, limited CIAs and renewable projects are expected going forward.

b) Streetlighting projects are driven by community request. Many communities (including IPAs) have already installed streetlights and given this, the connection of new communities is not expected to impact Remotes' forecast for streetlighting projects.

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G - OEB STAFF INTERROGATORY - 26

Reference:

RRRP inflation

Exhibit G-1-1

Hydro One Remote Communities is proposing to increase the RRRP amount by inflation during the IRM years.

Interrogatory:

a) Please provide the calculation for the revenue requirement impact of the Wataynikaneyap project.

b) In Table 1 of reference 1, please confirm the main driver of the variance in the RRRPVA is the increase in the total cost and not the lack of IRM increases to RRRP.

c) How would Hydro One Remote Communities manage the balance in the RRRPVA should the OEB not approve the full disposition of the amount?

Response:

a) For the revenue requirement impact of the Wataynikaneyap project, please refer to interrogatory response A-Staff-02.

b) Yes, it is the increase in the total cost (mainly fuel) that is the main driver of the variance in the RRRPVA.

c) Remotes submits that in accordance with the Ontario Energy Board Act, Ontario Regulation 442/01 – Rural or Remote Electricity Rate Protection, the disposition of the RRRPVA is required by virtue of section 4 and section 5 of said Regulation to protect customers from higher rates of electricity. In the event that the OEB does not approve the full disposition of the amount, Remotes would continue to hold the RRRPVA balance at a cost of approximately 5% or $50,000 for every $1M which said costs will result in increased rates to the customer and which negates the legislative intent of O. Reg 442/01 to protect the customers from high rates.

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H - OEB STAFF INTERROGATORY - 27

Reference:

Exhibit H-1-1, page 1.

Preamble:

Hydro One Remote Communities conducts its operations under a cost recovery model applied to achieve break-even results of operations after the inclusion of income taxes. Any excess or deficiency in RRRP revenues necessary to ensure break-even results in operations is added to, or drawn from, the Rural and Remote Rate Protection Variance Account (RRRPVA).

Interrogatory:

a) Please confirm that Hydro One Remote Communities trues up its revenues and costs to break-even through the use of RRRPVA, such that all of its incurred costs are recovered by the utility. If this is not the case, please explain.

b) Please explain what controls and procedures are in place to ensure that all of its incurred costs are reasonable, given that all of its incurred costs are recovered by the utility through the RRRPVA, if the RRRPVA balance is approved for recovery by the OEB.

Response:

a) Confirmed. Remotes trues up all of its revenues and costs to break-even through the use of the RRRPVA. Any excess or deficiency in RRRP revenues necessary to ensure break-even results in operations is added to, or drawn from, the RRRPVA.

b) Please refer to Exhibit A, Tab 7, Schedule 1 for the Governance and Control Framework.

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H - OEB STAFF INTERROGATORY - 28

Reference:

RRRPVA

1. Exhibit H-1-1-3
2. Exhibit G-1-1-5
3. Exhibit G-1-1-1
4. Exhibit A-1-2-15

For the RRRPVA, Hydro One Remote Communities is proposing that the RRRP be adjusted upwards by $1,946,000 annually (representing one-fifth of the 2021 year-end audited balance of $9,732,000) to recover the current RRRPVA balance over the five-year period.

This method is proposed to smooth the required RRRP going forward and avoid the one-time rate shock to RRRP that would occur by requesting recovery of the full amount effective in 2023.

Hydro One Remote Communities has provided a table that shows its 2023 forecasted RRRP requirement of $110,753,000. This amount has been increased by $1,946,000 to reflect the recovery of the RRRPVA on a smoothed basis.

Hydro One Remote Communities stated that the IESO distributes the utility's OEB-approved share of RRRP revenues in equal installments throughout the year.

Hydro One Remote Communities is also requesting that the RRRP (Remotes Operating) amount approved by the OEB for 2023 be adjusted each year by the OEB's approved escalation. This would lower amounts to be recovered at each rebasing in the RRRPVA.

Interrogatory:

a) Please explain whether the OEB has approved in the past a similar approach as proposed by Hydro One Remote Communities in the current proceeding to smooth the recovery amount of RRRPVA. If so, please provide the reference to the precedent (EB#).

b) If the smoothing method is approved by the OEB in the current proceeding, does this mean that the 2023 forecasted RRRP requirement of $110,753,000 would remain the same over the entire 2023-2027 period and the utility would receive this amount of $110,753,000 from the IESO, but in equal installments, each year? (This is ignoring the proposed adjustment each year by the OEB's approved escalation.) If this is not the case, please explain.

c) Please explain the implications of including the full RRRPVA audited balance of $9,732,000 as part of the 2023 forecasted RRRP requirement, as opposed to a smoothed amount of $1,946,000.

d) Ignoring the proposed adjustment each year by the OEB's approved escalation and if the smoothing approach is not approved by the OEB in the current proceeding, please explain whether this would mean that:

i. The 2023 forecasted RRRP requirement would be $118,539,000 and calculated as follows:

$110,753,000
$9,732,000
($1,946,000)
$118,539,000

ii. The 2024-2027 forecasted RRRP requirements would be $108,807,000 and calculated as follows:

$110,753,000
($1,946,000)
$108,807,000

Response:

a) This approach has been conceptually discussed and considered since inception, but never officially implemented. Remotes felt it was appropriate to introduce this innovative concept in an effort to smooth the recovery amount of RRRPVA and impacts to rate payers.

b) For 2023, the RRRP requirement would be $110,753k. In years beyond 2023, the RRRP requirement would be $110,763k since the forgone revenue rate rider would be cleared. The $110,763k includes $66,000k for Watay RRRP making the remaining Remotes RRRP (inclusive of the $1,946k recovery of the balance in the RRRPVA) $44,763k. Therefore, for years beyond 2023, the total RRRP requirement would then be $44,763k, plus the most recently approved Watay RRRP for the year in question.

As per A-Staff-02 response, the amounts are revised as follows:

For 2023 the RRRP requirement would be $110,900k. In years beyond 2023, the RRRP requirement would be $110,910k since the forgone revenue rate rider would be cleared. The $110,910k includes $51,626k for Watay RRRP making the remaining Remotes RRRP (inclusive

of the $1,946k recovery of the balance in the RRRPVA) $59,284k. Therefore, for years beyond 2023, the total RRRP requirement would then be $59,284k, plus the most recently approved Watay RRRP for the year in question.

c) The 2023 total RRRP requirement would be higher by $7,786k, and for subsequent years 2024-2027, total RRRP requirement would be reduced by $1,946k each year, should the full amount be recovered as opposed to the smoothed amount.

d) Remotes notes that the numbers in the interrogatory are no longer up to date, however in context of the above:

i. The 2023 forecasted RRRP requirement would be $118,539k. Please see below for Remotes' breakdown of the calculation (as compared to the breakdown of the calculation in the interrogatory):

(in thousands $)	**Breakdown of calculation in interrogatory**	**Remotes breakdown of calculation:**
RRRP Requirement	110,753	108,817
RRRPVA audited balance	9,732	9,732
1/5 of RRRPVA audited balance	(1,946)	-
Recovery of residual COVID-19 Forgone Revenue Rate Rider		(10)
	118,539	**118,539**

ii. The 2024-2027 forecasted amounts would be $108,817k, as the recovery of residual COVID-19 Forgone Revenue Rate Rider is expected to be cleared in 2023.

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Reference:

EB-2012-0137, 2013 CoS Proceeding, Draft Rate Order, Exhibit 1.0, Page 1, September 3, 2013.
Exhibit A-1-2, page 10.
Exhibit H-2-1-1 (2013 to 2017 balances)
Exhibit H-2-1-2 (2018 balance)
Exhibit H-2-1-3 (2019 balance)
Exhibit H-2-1-4 (2020 balance)
Exhibit H-2-1-5 (2021 balance)
Reporting and Record Keeping Requirements (RRR) 2.1.7 December 31, 2021 balances.
Exhibit A-1-7-6 (dated 20221019)

Preamble:

OEB staff requests clarification regarding the RRRPVA.

The draft rate order from Hydro One Remote Communities 2013 cost of service proceeding suggests that a RRRPVA balance of $787,000 as at December 31, 2012 was disposed in that proceeding.

In the current proceeding, Hydro One Remote Communities stated that the $9,732k December 31, 2021 audited RRRPVA balance is primarily due to:

- Increased diesel fuel costs
- The connection of Pikangikum First Nation to the Ontario power grid on December 20, 2018 as part of the Watay Transmission Project, which resulted in power purchases

Interrogatory:

a) Please confirm that the RRRPVA balance was last disposed in in Hydro One Remote Communities' 2013 cost of service proceeding – specifically a balance of $787,000 as at December 31, 2012 was disposed. If this is not the case, please explain.

b) Please explain the large variations in the actual "Fuel" OM&A, versus OEB-approved, which are mainly reflected as debits in the RRPVA over the period 2013 to 2021, meaning that the actuals were greater than the OEB-approved costs.

c) Please demonstrate how the $9,732k December 31, 2021 audited RRRPVA balance ties to the December 31, 2021 RRR 2.1.7 balances of a debit of $10,056,035 for Account 1508 and a debit balance of $43,299,387 for Account 1525, and subsequently to the audited financial

statements, as it is not clear from the "2021 Distribution Financial Statements mapping reconciled to USofA Trial Balance" provided by Hydro One Remote Communities.

Response:

a) Confirmed, the RRRPVA balance was last approved for disposition in Hydro One Remote Communities' 2013 cost of service proceeding (EB-2012-0137) in the amount of $787k; which represented the balance in the RRRPVA as of December 31, 2012.

b) The Fuel OM&A has been impacted by increases in both fuel price and volume consumed due to load growth and increased customers over the 2018 to 2021 period resulting in actuals greater than the 2018 OEB-approved amount, as documented in Table 3 in Exhibit D, Tab 1, Schedule 3. Over the 2013 to 2017 period, the average annual Fuel OM&A was relatively in line with the 2013 OEB-approved amount, with actuals either slightly above or slightly below approved, further details are provided in proceeding EB-2017-0051 Exhibit D1, Tab 1, Schedule 2.

c) The $9,732k reconciliation to the RRR 2.1.7 balance for 2021 is as follows:

RRRPVA	$9,732,309
Stock Compensation – long term	$323,727
Account 1508 (as per RRR 2.1.7)	**$10,056,035**

The reconciliation to the 2021 audited financial statements is as follows:

Account 1508	$10,056,035
Account 1525	$43,299,387
Less:	
Stock Compensation - short term	($107,995)
Environmental Regulatory Asset – short term	($3,063,984)
Regulatory assets (as per Exhibit A-1-7-6)	**$50,183,444**

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Reference:

Exhibit H-1-1, page 1.

Preamble:

The balance in Hydro One Remote Communities' RRRPVA account is expected to increase from $9.732 million, as at December 31, 2021, to $45.088 million, as at December 31, 2022.

However, OEB staff notes that in this proceeding, Hydro One Remote Communities is requesting clearance of the RRRPVA account of $9.732 million, as at December 31, 2021 (and not December 31, 2022).

Interrogatory:

a) Please explain the reasons for the large expected increase in the RRRPVA balance to $45.088 million, as at December 31, 2022, from $9.732 million, as at December 31, 2021.

Response:

a) The expected increase in the forecast 2022 RRRPVA balance of $45.088M, was driven by an increase in fuel costs and an increase in the Wataynikaneyap transmission connection costs, partially offset by a decrease in cost of power and an increase in energy sales. As a point of clarification, the RRRPVA 2022 forecast included the Wataynikaneyap transmission connection costs as the RRRP-Watay amounts were not recorded as received, since the settlement process for these amounts was unknown at that time of business plan preparation for this Application. Subsequently, the OEB issued a Supplementary Decision and Order[1] to address these new RRRP costs in the amount of $21.5M in 2022. Had these RRRP-Watay amounts been recorded as received, this would have resulted in a forecast 2022 RRRPVA balance of $23.6M.

[1] EB-2021-0300, Supplementary Decision and Order – Regulatory Charges effective January 1, 2022 for WMS rate and the RRRP charge, dated July 12, 2022.

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Reference:

RRRPVA and P&OPEB

1. Exhibit A-2-1-3-9
2. Exhibit D-4-1-2
3. Exhibit A-1-7-4

Hydro One Remote Communities stated that actuarial valuations are not applicable. The actuarial report is performed at the holding company level and the utility does not impact the report. An actuarial account is not performed on Hydro One Remote Communities.

However, OEB staff notes that actuarial valuations were provided on the record of Hydro One Remote Communities' 2018 cost of service proceeding and that Hydro One actuarial valuations are also applicable to Hydro One Remote Communities.

Hydro One Remote Communities' stated the following regarding Hydro One's defined benefit (DB) pension plan, of which Hydro One Remote Communities participate.

- For DB plans, there is a requirement to complete and file a full actuarial valuation at a minimum every 3 years. Management can, at its discretion, file these valuations more frequently. The Tri-Annual Actuarial Valuation report for the DB Plan as at December 31, 2018 establishes the contribution rate for 2019, 2020 and 2021.

- In September 2019, Hydro One filed this actuarial valuation with the Financial Services Regulatory Authority of Ontario (FSRA), formerly FSCO. Hydro One's next Tri-Annual Actuarial Valuation for the DB Plan is required as at December 31, 2021 and must be filed by September 30, 2022. The valuation results will depend on investment returns, changes in benefits, and actuarial assumptions.

Note 12 of the 2021 Hydro One Remote Communities' audited financial statements also indicates that the new valuation (that is expected to be filed by no later than September 30, 2022) may result in a change to the estimated contributions for 2022-2027.

Interrogatory:

a) Please explain how the general economic increases in interest rates have impacted the 2023 test year for pension and OPEB, given that there is an inverse relationship between the

discount rate and the present value of any pension and OPEBs obligations. The higher the discount rate, the lower the present value.

b) Please provide the most recent actuarial reports/valuations for all pension and OPEB plans, including the valuation that was required to be filed by September 30, 2022.

c) Please demonstrate how the pension and OPEBs amounts in the 2022 bridge and 2023 test years tie to the most recent actuarial reports/valuations, as applicable.

d) If the balances in the actuarial reports/valuations are different from the 2022 bridge and 2023 test pension and OPEB amounts, please provide a reconciliation and explain why the amounts in the 2022 bridge and 2023 test are appropriate.

e) Please provide the calculation that was used to allocate Hydro One Remote Communities' share of the total Hydro One 2023 contributions (for both the Defined Benefit and Defined Contribution plans) and the 2023 OPEB accrual amount.

f) Please confirm that there has been no change in the methodology used to calculate and allocate Hydro One Remote Communities' share of the total Hydro One pension contributions and the OPEB accrual amount, since Hydro One Remote Communities' last rebasing application. If this is not the case, please explain.

Response:

a) The 2023 test year pension and OPEB costs sought for approval in this Application are based on the February 2021 forecast. As a result, the test year pension and OPEB costs do not reflect the recent increase in interest rates. Directionally speaking, the inverse relationship between interest rates and pension/OPEB costs will result in the following impacts:

i. For pension, the interest rate increase will lead to a higher going concern discount rate being used, which will likely lead to lower contributions

ii. For OPEB, the rate increase will also result in a reduced cost

Despite the above, the 2023 test year pension and OPEB costs continue to remain appropriate for the basis of approval, as the difference in 2023 pension/OPEB costs calculated between the February 2021 forecast and the latest March 2022 benefit projection reporting is below Remotes' level of materiality. Please see response to part d) below for the calculations supporting this analysis.

b) The following reports/valuations are provided in response to this interrogatory:

- **Attachment 1:** Most recent actuarial valuation of the DB Pension Plan as at December 31, 2021, filed with the Financial Services Regulatory Authority (FSRA) in September 2022
- **Attachment 2:** Projected 2021 to 2027 Benefit Cost under FASB ASC 715-20-50 dated February 2021
- **Attachment 3:** March 2022 Forecast for DB and DC Supplemental Pension Plans (SPP) for 2022 benefit costs
- **Attachment 4:** March 2022 Forecasting for PRB (Other Post-Retirement Benefits) and PEB (Other Post-Employment Benefit) Plans for 2022 benefit costs

c) Pension and OPEB amounts in the 2022 bridge and 2023 test years tie to the forecasting from the actuaries, consolidated basis, dated February 2021.

2022 and 2023 Pension Costs

Pension Plan (Amounts $K)	2022 Total	2022 Remotes %	2022 Remotes	2023 Total	2023 Remotes %	2023 Remotes
DB Pension	93,141	1.1%	1,053	107,448	1.0%	1,110
DC Pension	3,700	0.4%	13	4,200	0.3%	14
	96,841		**1,066**	**111,648**		**1,124**

2022 and 2023 OPEB Costs

OPEBs Plan (Amounts $K)	2022 Total	2022 Remotes %	2022 Remotes	2023 Total	2023 Remotes %	2023 Remotes
Non-Pension Post-Retirement	102,687		932	107,870		1,005
Less: Net prior year service cost amortization	(3,581)			(3,581)		
	99,106	0.9%	932	104,289	1.0%	1,005
Non-Pension Post-Employment	22,757	2.7%	611	23,473	2.7%	630
Supplementary Pension DB	7,436	1.0%	74	7,202	1.0%	74
Supplementary Pension DC	215	0.0%	0	231	0.0%	0
OPEBs	**129,514**		**1,617**	**135,195**		**1,709**

d) Consolidated forecasting from the actuaries dated February 2021 was used, as this is currently the most recent forecasting available for the years 2023 to 2027. For consistency, 2022 and 2023 pension/OPEB costs were based on data provided by the actuaries in February 2021 to ensure the same set of assumptions for the starting point in 2023. The actuarial valuation for DB Pension as at December 31, 2021 was not yet finalized and filed with the FSRA at the time this Application was filed.

As shown in the tables below, the 2022 and 2023 pension/OPEB costs in the February 2021 projection are different than the latest March 2022 benefit projection reporting. Since the allocations of the consolidated pension/OPEB forecasts have not materially changed, the difference in the allocation to Remotes (third column of the tables) is primarily attributable to the lower total pension and OPEB cost forecast for 2022 and 2023 (first column of the tables). A reconciliation of the 2022 and 2023 pension/OPEB costs between the amounts embedded in the Application and what the latest March 2022 benefit projection reporting show are illustrated below, where: (i) The "2021 forecasting" refers to the "2021-2027 benefit projections report" filed in February 2021 per Attachment 2 of this interrogatory; and (ii) The "2022 forecasting" refers to the forecasting received from the actuaries in the March 2022 benefit projection reporting per the "DB and DC SPP Plans and PRB (Other Post-Retirement Benefits) and PEB (Other Post-Employment Benefit) Plans" reports in Attachments 3 and 4 of this interrogatory.

2022 Bridge Year Pension Costs

Pension	2022 per 2021 forecasting			2022 per 2022 forecasting		
Plan (Amounts $K)	Total	Remotes %	Remotes	Total	Remotes %	Remotes
DB Pension	93,141	1.1%	1,053	89,616	1.0%	885
DC Pension (no forecast update)	3,700	0.4%	13	3,700	0.4%	13
	96,841		**1,066**	**93,316**		**898**

Note: Under the DC pension, "no forecast update" means Hydro One has not received an update for 2023 DC Pension forecasting from the actuaries

2023 Test Year Pension Costs

Pension	2023 per 2021 forecasting			2023 per 2022 forecasting		
Plan (Amounts $K)	Total	Remotes %	Remotes	Total	Remotes %	Remotes
DB Pension	107,448	1.0%	1,110	92,471	1.0%	913
DC Pension (no forecast update)	4,200	0.3%	14	4,200	0.3%	13
	111,648		**1,124**	**96,671**		**926**

Note: Under the DC pension, "no forecast update" means Hydro One has not received an update for 2023 DC Pension forecasting from the actuaries.

2022 Bridge Year OPEB Costs

OPEBs	2022 per 2021 forecasting			2022 per 2022 forecasting		
Plan (Amounts $K)	**Total**	**% Remotes**	**Remotes**	**Total**	**% Remotes**	**Remotes**
Non-Pension Post-Retirement	102,687		932	102,648		834
Less: Net prior year service cost amortization	(3,581)			(9,521)		
	99,106	0.9%	932	93,127	0.9%	834
Non-Pension Post-Employment	22,757	2.7%	611	21,693	1.6%	350
Supplementary Pension DB	7,436	1.0%	74	7,230	1.0%	72
Supplementary Pension DC	215	0.0%	0	238	0.0%	0
OPEBs	**129,514**		**1,617**	**122,288**		**1,255**

Note: For non-pension post employment, there is a decrease in the allocation to remotes from 2.7% to 1.6% due to updated headcount.

2023 Test Year OPEB Cost

Hydro One does not have updated forecasting from the actuaries for 2023 OPEBs.

Based on the above analysis, the difference in the 2022 and 2023 pension/OPEB forecasts compared between (i) the February 2021 projection and (ii) the latest March 2022 benefit projection reporting, is below the application materiality threshold for Remotes. On this basis, Remotes submits that the 2022 and 2023 pension/OPEB amounts included in the Application continue to remain appropriate.

e) Please see calculations in response to part (d) above.

f) Confirmed. There has been no change in the methodology used to calculate and allocate Remotes' share of the total Hydro One pension contributions and the OPEB accrual amount since Remotes last rebased in 2018.

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HYDRO ONE INC.

HYDRO ONE PENSION PLAN

Actuarial Valuation as at December 31, 2021 and Asset Transfer Actuarial Valuation as at January 1, 2022

July 15, 2022

Registration Number: 1059104

DISCLAIMERS

This document is an actuarial valuation report of a pension plan. It is technical in nature and the reader should seek expert advice to fully understand it. The actuarial results presented here are based on numerous economic and demographic assumptions as to future events. Emerging experience, differing from the assumptions, will result in gains or losses that will be revealed in future actuarial valuations.

This report is based on the terms of engagement listed in Appendix A.

This report is based on the premise that all the plan's assets, including any letters of credit, are available to meet the plan's liabilities included in this valuation.

This report is based on the premise that the plan remains a going concern. This report does not address the disposition of any surplus assets remaining in the event of plan windup. If an applicable pension regulator or other entity with jurisdiction directs otherwise, certain financial measures contained in this report, including contribution requirements, may be affected.

The results presented in this report have been developed using a particular set of actuarial assumptions. Other results could have been developed by selecting different actuarial assumptions. The results presented in this report are reasonable actuarial results based on actuarial assumptions reflecting our expectation of future events.

Future contribution levels may change as a result of future changes in the actuarial methods and assumptions, the membership data, the plan provisions and the legislative rules, or as a result of future experience gains or losses, none of which have been anticipated at this time.

The results were developed with various data as at the valuation date that were provided to us: plan membership data, plan assets data, plan provisions and statement of investment policy. Towers Watson Canada Inc. (“WTW”) has relied on these data after verifying them and assessing their reasonableness. However, WTW has not independently audited these data.

The information contained in this report was prepared for Hydro One Inc., for its internal use and for filing with the Pension Authorities, in connection with the actuarial valuation of the plan prepared by WTW. This report is not intended, nor necessarily suitable, for other parties or for other purposes. Furthermore, some results in this report are based on assumptions mandated by legislation. These results may not be appropriate for purposes other than those for which they were prepared.

The numbers in this report are not rounded. The fact that numbers are not rounded does not imply a greater level of precision than if the numbers had been rounded.

Definitions

CIA means the Canadian Institute of Actuaries.

Pension Authorities means the Financial Services Regulatory Authority of Ontario and the Canada Revenue Agency ("CRA").

Pension Legislation means the *Pension Benefits Act (Ontario)* and Regulation thereto and the *Income Tax Act (Canada)* and Regulations thereto ("ITA").

Table of Contents

Introduction

Purpose

This report with respect to the Hydro One Pension Plan has been prepared for Hydro One Inc., the plan administrator, and presents the results of the actuarial valuation of the plan as at December 31, 2021.

The principal purposes of the report are:

- to present information on the financial position of the plan on going concern, solvency and hypothetical windup bases;
- to provide the basis for employer contributions; and
- to provide the asset transfer information as of January 1, 2022 (see Addendum for details).

Significant Events since Previous Actuarial Valuation (December 31, 2018)

On January 24, 2020, the CIA released its final changes to the *Standards of Practice for Pension Commuted Values*, which became effective December 1, 2020. The financial impact of this change is reflected in this report.

The asset transfer application with respect to the transfer of all assets and liabilities from the Inergi LP Customer Service Operations Pension Plan and Vertex Customer Management (Canada) Limited Pension Plan to the Hydro One Pension Plan was approved by the regulators on November 27, 2019. The transfer of the assets and liabilities from the Inergi CSO and Vertex plans occurred March 2, 2020. In aggregate, $119,577,000 of assets and $88,371,911 of going concern liabilities were transferred to the Hydro One Pension Plan. The impact of this asset transfer is reflected in this report. Additional details with respect to this asset transfer can be found in the December 31, 2018 actuarial valuation report of the Hydro One Pension Plan.

On March 11, 2020, the World Health Organization declared COVID-19 to be a pandemic. Various public health measures have been taken worldwide to contain the spread of COVID-19. Long-term effects of COVID-19 on financial markets, regulations, and experience are uncertain and still evolving. Per discussions with Hydro One Inc., the assumptions used in this report make no specific allowances for the future effects of COVID-19. There may be effects on the financial position of the plan that will be reflected in the next actuarial valuation.

Effective March 1, 2021, any employee who became a member of the plan on or after September 30, 2015 while represented by the Power Worker's Union or the Society of United Professionals and later becomes employed at the management level shall cease to accrue service in the plan, however will continue to earn service for the purposes of the early retirement subsidies of the plan. Additionally, pensionable earnings at the date of the employment as a management level employee will be increased

thereafter with by 100% of the Consumer Price Index Canada. The impact of this change has been reflected in this report.

Effective November 8, 2021, a new target asset mix was adopted by Hydro One. This target will be implemented over the next several years, when the appropriate investment opportunities are available. Notably this includes a shift towards real-estate, infrastructure and private debt. This report reflects the new target asset mix.

Changes to the going concern basis are described in Appendix C. Changes to the solvency and hypothetical windup bases are described in Appendix D.

Subsequent Events

We completed this actuarial valuation on July 15, 2022.

Since the valuation date, there has been market instability, characterized by rising interest rates and volatile equity markets. On February 24, 2022, Russia initiated military action against Ukraine, and in response, multiple jurisdictions have imposed economic sanctions on Russia, and a number of large companies have voluntarily curtailed their business activities in Russia. There remains significant global economic uncertainty arising from the COVID-19 pandemic, and the war in Ukraine and related events are likely to intensify the effects of current market conditions. The assumptions used in this report make no specific allowances for future effects of these events. The effects on the financial position of the plan will be reflected in future actuarial valuations.

Hydro One and Inergi LP agreed to transfer the employment of certain Inergi LP employees (Transferred Employees) to Hydro One Networks Inc. The employees transferred relate to the information technology operations, Finance and Accounting, Payroll, source to pay, settlements and certain Shared Services functions. The Transferred Employees who were participants in the Inergi LP Pension Plan (“Inergi Plan”) became participants in the plan upon transfer to Hydro One Networks Inc. The final transfer of employees occurred on January 1, 2022. Subject to all necessary regulatory approvals, the assets and liabilities of the Inergi Plan will transfer to the plan. The financial impact of the event as of January 1, 2022 and the information outlined under Ontario Regulation 310/13 required to obtain the FSRA CEO’s consent to transfer the assets and liabilities of the Inergi Plan to the plan is detailed in the Addendum to this report. The final values of assets and liabilities of the Inergi Plan to be transferred to the Hydro One Pension Plan will be determined at the date of transfer and will be reflected in a future report once the assets of the Inergi Plan are transferred into the Hydro One Pension Plan (not expected until at least 2023).

Next Valuation

The next actuarial valuation of the plan must be performed with an effective date not later than December 31, 2024.

Section 1: Going Concern Financial Position

1.1 Statement of Financial Position

	December 31, 2021	December 31, 2018
Going Concern Value of Assets	$ 8,286,504,000	$ 7,202,478,000
Actuarial Liability		
Active and disabled members	$ 1,794,836,535	$ 1,662,138,096
Retired members and beneficiaries	4,506,439,642	4,083,736,181
Terminated vested members	41,488,026[1]	31,732,267
Total actuarial liability	$ 6,342,764,203	$ 5,777,606,544
Actuarial Surplus (Unfunded Actuarial Liability)	$ 1,943,739,797	$ 1,424,871,456
Prior Year Credit Balance	(12,000,000)	(48,000,000)
Actuarial Surplus (Unfunded Actuarial Liability) After Prior Year Credit Balance	$ 1,931,739,797	$ 1,376,871,456
Funded Ratio[2]	130%	124%
Provision for adverse deviations (PfAD)	$ 684,466,266	$ 350,805,224
Actuarial Surplus (Unfunded Actuarial Liability) After Prior Year Credit Balance and PfAD	$ 1,247,273,531	$ 1,026,066,232
Excess Actuarial Surplus[3]	$ 0	$ 0

Notes:

[1] Includes $1,015,012 and $652,967 in respect of outstanding commuted values from the former Vertex plan and retroactive payments, respectively.

[2] After reflecting prior year credit balance.

[3] Considered to be nil if there is a hypothetical windup or solvency deficit.

Comment:

- The prior year credit balance is employer contributions made prior to the actuarial valuation date that are in excess of the minimum required and are set aside as a reserve for application towards future contribution requirements.
- The plan provides for indexation (escalated adjustments, as defined in the Pension Legislation). The actuarial liability as at December 31, 2021 shown above includes $1,117,830,877 in respect of indexation. The actuarial liability in respect of indexation has not been included in determining the PfAD.

1.2 Reconciliation of Financial Position and Provision for Adverse Deviations

1.2.1 Reconciliation of Financial Position

Actuarial surplus (unfunded actuarial liability) as at December 31, 2018		$ 1,424,871,456
PfAD contributions		17,616,000
Inergi/Vertex asset transfer (excess of assets transferred over going concern liability)		31,205,089
Application of prior year credit balance		(36,000,000)
Expected interest on:		
■ Actuarial surplus (unfunded actuarial liability)	$ 272,173,246	
■ PfAD contributions	1,608,989	
■ Inergi/Vertex asset transfer	3,518,093	
■ Application of prior year credit balance	(3,288,125)	274,012,203
Plan experience:		
■ Investment gains (losses)	$ 439,706,776	
■ Salary gains (losses)	25,326,781	
■ YMPE and ITA gains (losses)	4,748,124	
■ Cost-of-living adjustment gains (losses)	15,067,561	
■ Retirement gains (losses)	19,346,990	
■ Withdrawal gains (losses)	(21,406,578)	
■ Mortality gains (losses)	(39,556,803)	
■ Miscellaneous liability gains (losses)	(26,207,166)	417,025,685
Change in actuarial basis:		
■ Mortality assumption	(52,380,651)	
■ Retirement rates	(15,722,660)	
■ Withdrawal rates	2,623,194	
■ Spousal asssumptions	14,448,747	
■ Salary scale	27,679,276	
■ Discount rate	(161,638,542)	(184,990,636)
Actuarial surplus (unfunded actuarial liability) as at December 31, 2021		$ 1,943,739,797

1.2.2 Reconciliation of Provision for Adverse Deviations

Provision for adverse deviations as at December 31, 2018		$ 350,805,224
Change in provision for adverse deviations:		
■ Increase (decrease) due to change in PfAD level	$ 299,388,680	
■ Increase (decrease) due to change in actuarial liability	34,272,362	333,661,042
Provision for adverse deviations as at December 31, 2021		$ 684,466,266

1.3 Contributions (Ensuing Year)

	December 31, 2021	December 31, 2018
Employer Normal Actuarial Cost		
Normal actuarial cost	$ 133,821,171	$ 113,346,619
Provision for adverse deviations (PfAD)	14,006,928	6,671,594
Estimated member contributions	(60,575,435)	(53,554,752)
Employer normal actuarial cost	$ 87,252,664	$ 66,463,461
Estimated payroll	$ 670,399,519	$ 584,820,060
Employer normal actuarial cost as % of payroll	13.0%	11.4%

Comment:

- The normal actuarial cost as at December 31, 2021 shown above includes $26,920,146 in respect of indexation. The normal actuarial cost in respect of indexation has not been included in determining the PfAD.

Reconciliation of Employer Normal Actuarial Cost

Employer normal actuarial cost as a % of payroll at December 31, 2018	11.4 %
■ Changes in membership profile	0.0 %
■ Changes in demographic assumptions	0.0 %
■ Changes in salary scale	(0.4)%
■ Changes in discount rate	1.1 %
■ Change in the PfAD level	0.9 %
Employer normal actuarial cost as a % of payroll at December 31, 2021	13.0 %

1.4 Reconciliation of Prior Year Credit Balance (Cash Basis)

Prior year credit balance as at December 31, 2018			$	48,000,000
Actual employer contributions:				
■ Normal actuarial cost and PfAD contributions	$	174,545,000		
■ Going concern amortization payments		0		
■ Solvency amortization payments		0		
■ Transfer deficiency payments		0		
■ Prior year credit balance		0		
■ Other contributions		0		174,545,000
Minimum employer contributions required:				
■ Normal actuarial cost and PfAD contributions	$	(210,545,000)		
■ Going concern amortization payments		0		
■ Solvency amortization payments		0		
■ Transfer deficiency payments		0		
■ Other contributions		0		(210,545,000)
Application against unfunded actuarial liability				0
Prior year credit balance as at December 31, 2021			$	12,000,000

Section 2: Solvency and Hypothetical Windup Financial Position

2.1 Statement of Solvency and Hypothetical Windup Financial Position

	December 31, 2021	December 31, 2018
Solvency Value of Assets		
Market value of assets	$ 8,644,382,000	$ 7,208,634,000
Provision for plan windup expenses	(7,000,000)	(7,000,000)
Total solvency value of assets	$ 8,637,382,000	$ 7,201,634,000
Solvency Liability		
Active and disabled members	$ 2,255,543,441	$ 2,068,058,939
Retired members and beneficiaries	5,001,075,421	4,433,823,741
Terminated vested members	51,345,729[1]	37,708,259
Total solvency liability	$ 7,307,964,591	$ 6,539,590,939
Solvency Surplus (Unfunded Solvency Liability)	$ 1,329,417,409	$ 662,043,061
Prior year credit balance	$ 12,000,000	$ 48,000,000
Solvency Ratio	118%	109%
Value of excluded benefits	$ 4,210,501,690	$ 3,256,931,443
Total hypothetical windup liability	$ 11,518,466,281	$ 9,796,522,382
Hypothetical Windup Surplus (Unfunded Hypothetical Windup Liability)	$ (2,881,084,281)	$ (2,594,888,382)
Lesser of estimated employer contributions for the period until the next actuarial valuation and the prior year credit balance	$ 12,000,000	$ 48,000,000
Transfer Ratio	75%	73%

	December 31, 2021	December 31, 2018
PBGF Information		
Ontario PBGF liability	$ 7,307,964,591	$ 6,539,590,939
Ontario asset ratio	100%	100%
Ontario portion of the fund	$ 8,644,382,000	$ 7,208,634,000
PBGF assessment base	$ 0	$ 0
Ontario additional PBGF liability	$ 0	$ 0

Note:

[1] Includes $1,015,012 and $652,967 in respect of outstanding commuted values from the former Vertex plan and retroactive payments, respectively.

Comments:

- The solvency actuarial valuation results presented in this report are determined under a scenario where, following a plan windup, the employer continues its operations.
- The hypothetical windup valuation results presented in this report are determined under a scenario where, following a plan windup, the employer continues its operations.
- As the transfer ratio is less than 100%, transfer deficiencies must be paid over a maximum period of five years unless the cumulative transfer deficiencies are within the limits prescribed by the Pension Legislation or the employer remits additional contributions in respect of the transfer deficiencies. Pursuant to Regulations 19(4) or 19(5) to the Pension Legislation, approval of the Financial Services Regulatory Authority of Ontario Chief Executive Officer will be required to make commuted value transfers if there has been a significant decline in the transfer ratio after the actuarial valuation date.

2.2 Determination of the Statutory Solvency Excess (Deficiency)

In calculating the statutory solvency excess (deficiency), various adjustments may be made to the solvency financial position.

	December 31, 2021	December 31, 2018
Solvency surplus (unfunded solvency liability)	$ 1,329,417,409	$ 662,043,061
Adjustments to solvency position:		
■ Present value of existing amortization payments	$ 0	$ 0
■ Smoothing of asset value	(357,878,000)	(6,156,000)
■ Adjustment to reflect reduced solvency deficiency [1]	1,094,870,210	991,252,410
■ Averaging of liability discount rate [2]	8,829,857	(68,758,462)
■ Prior year credit balance	(12,000,000)	(48,000,000)
■ Total	$ 733,822,067	$ 868,337,948
Solvency excess (reduced solvency deficiency)	$ 2,063,239,476	$ 1,530,381,009

Notes:

[1] Reflects 15% of the solvency liabilities based on the discount rates after averaging.

[2] Reflects the difference between the solvency liabilities based on the discount rates before and after averaging.

Section 3: Contributions

3.1 Estimated Minimum Employer Contribution (Ensuing Years)

Year	2022	2023	2024
Normal actuarial cost (excluding the PfAD)	$ 133,821,171	$ 132,113,995	$ 129,779,656
PfAD	14,006,928	13,845,547	$ 13,600,908
Estimated member contributions	(60,575,435)	(59,801,804)	(58,912,690)
Employer normal actuarial cost	$ 87,252,664	$ 86,157,738	$ 84,467,874
Application of prior year credit balance[1]	0	0	0
Application of available actuarial surplus	0	0	0
Estimated minimum employer contribution	$ 87,252,664	$ 86,157,738	$ 84,467,874

Notes:

[1] As at the actuarial valuation date a $12,000,000 Prior Year Credit Balance exists, which may be applied to reduce Employer contributions in 2022, 2023 or 2024.

Comment:

As there is no available actuarial surplus present in this actuarial valuation, the plan sponsor must remit contributions not less than the minimum required by the Pension Legislation.

3.2 Estimated Maximum Employer Contribution (Ensuing Year)

		December 31, 2021
Employer normal actuarial cost	$	87,252,664
Greater of the unfunded actuarial liability and the unfunded hypothetical windup liability		2,881,084,281
Estimated maximum employer contribution	$	2,968,336,945

Comment:

- In general terms, the employer may contribute its total normal actuarial cost plus the largest of the going concern and hypothetical windup deficits and accrued interest. This amount shall be reduced by any excess actuarial surplus and any contributions made since the valuation date. The provincial Pension Legislation may require that certain minimum contributions be nevertheless remitted.

3.3 Timing of Contributions

Employer normal cost and member contributions: monthly and within 30 days of the month to which they pertain.

Amortization payments: monthly before the end of the month to which they pertain (or replaced by an equivalent letter of credit), if applicable.

Adjustment to contributions made since the valuation date: within 60 days from the date that this report is filed with the Pension Authorities.

Contributions that are remitted to the plan in the taxation year or within 120 days after the end of such taxation year are deductible in such taxation year provided they were made to fund benefits in respect of periods preceding the end of the taxation year.

Section 4: Actuarial Opinions

In our opinion, for the purposes of the going concern, solvency and hypothetical windup valuations:

- the membership data on which the actuarial valuations are based are sufficient and reliable,
- the assumptions are appropriate, and
- the methods employed in the actuarial valuations are appropriate.

This report has been prepared, and our opinions have been given, in accordance with accepted actuarial practice in Canada. The actuarial valuations have been conducted in accordance with our understanding of the funding and solvency standards prescribed by the Pension Legislation.

Towers Watson Canada Inc.

Davis Gonsalves
Fellow of the Canadian Institute of Actuaries

Suzanne Jacques
Fellow of the Canadian Institute of Actuaries

Toronto, Ontario
July 15, 2022

Appendix A: Significant Terms of Engagement and Certificate of the Plan Administrator

A.1 Significant Terms of Engagement

For purposes of preparing this actuarial valuation report, the plan administrator has directed that:

- The actuarial valuation is to be prepared as at December 31, 2021.
- No margins for adverse deviations are to be used.
- For the purpose of determining the going concern discount rate, the investment policy dated November 8, 2021, which is the most up-to-date version, should be considered. The current investment policy does not provide for any changes to the target asset class distribution in the future.
- For purposes of determining the provision for adverse deviations level as at December 31, 2021, the target asset allocation should be that contained in the investment policy statement in effect at November 8, 2021.
- For purposes of determining the provision for adverse deviations level, the plan is to be considered open to new entrants.
- The going concern value of assets is to be determined using the averaging technique described in the Asset Valuation Method section in Appendix C.
- The going concern valuation should use the projected unit credit actuarial cost method.
- For purposes of determining the solvency liabilities of the plan, certain benefits are to be excluded without requiring an election from the employer.
- The solvency and hypothetical windup valuation results are to be determined under a scenario where the employer continues to operate and certain expenses are paid from the pension fund (consistent with past practice) while the employer pays other plan expenses.
- This report is to be prepared on the basis that the employer is entitled to apply the available actuarial surplus, if any, to meet its contribution requirements under the plan.

Should these directions from the plan administrator be amended or withdrawn, WTW reserves the right to amend or withdraw this report.

A.2 Certificate of the Plan Administrator

I hereby certify that to the best of my knowledge and belief regarding this report and the addendum to the report:

- the significant terms of engagement contained in Appendix A of this report are accurate and reflect the plan administrator's judgement of the plan provisions and/or an appropriate basis for the actuarial valuation of the plan, with the exception that the asset transfer information included in the addendum to this report is to be based on an actuarial valuation date of January 1, 2022;
- the information on plan assets, including the information on the investment policy and intended changes to the asset mix distribution after the valuation date, if any, forwarded to Towers Watson Canada Inc. and summarized in Appendix B of this report is complete and accurate;
- the data forwarded to Towers Watson Canada Inc. and summarized in Appendix E of this report and Section 4 of the addendum to the report are a complete and accurate description of all persons who are members of the plan, including beneficiaries who are in receipt of a retirement income, in respect of service up to the date of the actuarial valuation;
- the summary of plan provisions contained in Appendix F of this report is accurate;
- for purposes of determining the provision for adverse deviations level, the fixed income allocation for each asset class shown in Appendix G is appropriate; and
- except as noted in the Introduction of this report, there have been no events which occurred between the actuarial valuation date and the date this actuarial valuation was completed that may have a material financial effect on the actuarial valuation.

Signature

August 19, 2022

Date

Robert Cultraro

Name

SVP, Chief Investment & Pension Officer

Title

Appendix B: Assets

B.1 Statement of Market Value

	December 31, 2021	December 31, 2018
■ Total invested assets	$ 8,644,382,000	$ 7,208,634,000
Net outstanding amounts:		
■ Contributions receivable		
– Employer normal cost	$ 0	$ 0
– Members contributions	0	0
– Amortization payments	0	0
– PfAD contributions	0	0
– Others	0	0
■ Transfers receivable (payable)	0	0
■ Benefits payable	0	0
■ Expenses and other payables	0	0
■ Total net outstanding amounts	$ 0	$ 0
Total assets	$ 8,644,382,000	$ 7,208,634,000

Comment:

- The data relating to the invested assets are based on the financial statements issued by KPMG. The data relating to net outstanding amounts were furnished by Hydro One Inc.

B.2 Asset Class Distribution

The following table shows the target asset allocation stipulated by the plan's investment policy in respect of major asset classes and the actual asset allocation as at December 31, 2021.

	Target asset allocation	Actual asset allocation as at December 31, 2021
Global equities	35.0%	43.1%
Private equities	5.0%	8.2%
Real estate and infrastructure	25.0%	15.4%
Bonds and debentures	28.0%	31.1%
Private debt	5.0%	0.9%
Cash and short-term investments	2.0%	1.3%
Total	100.0%	100.0%

B.3 Reconciliation of Invested Assets (Market Value)

Assets as at December 31, 2018		$ 7,208,634,000
Receipts:		
■ Contributions:		
– Employer normal actuarial cost (including PfAD)	$ 174,545,000	
– Employer amortization payments	0	
– Member required contributions	171,711,000	
– Past service contributions	4,013,000	
– PfAD contributions related to the provision for non-investment expenses	0	$ 350,269,000
■ Investment return, net of investment expenses		2,177,351,000
■ Total receipts		$ 2,527,620,000
Asset transfer from Inergi and Vertex plans:		119,577,000
Disbursements:		
■ Benefit payments:		
– Pension payments	$ (1,025,925,000)	
– Lump sum settlements	(116,517,000)	
– Other benefit payments	0	$ (1,142,442,000)
■ Non-investment expenses		(69,007,000)
■ Total disbursements		$ (1,211,449,000)
Assets as at December 31, 2021		$ 8,644,382,000

Comments:

- This reconciliation is based on the financial statements issued by KPMG and Hydro One.
- The rate of return earned on the market value of assets, net of all expenses, from December 31, 2018 to December 31, 2021 is approximately 9.3% per annum.

B.4 Development of the Going Concern Value of Assets

	Adjusted Market Value Beginning from:				
	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021
Adjusted market value as at December 31, 2017	$ 7,305,522,000				
Net cash flow for 2018	(230,949,000)				
Assumed investment return	388,345,000				
Adjusted market value as at December 31, 2018	7,462,918,000	$ 7,208,634,000			
Net cash flow for 2019	(257,906,000)	(257,906,000)			
Assumed investment return	440,151,000	424,894,000			
Adjusted market value as at December 31, 2019	7,645,163,000	7,375,622,000	$ 7,880,616,000		
Net cash flow for 2020	(266,029,000)	(266,029,000)	(266,029,000)		
Inergi / Vertex transfers on March 2, 2020	119,577,000	119,577,000	119,577,000		
Assumed investment return	456,795,000	440,622,000	470,922,000		
Adjusted market value as at December 31, 2020	7,955,506,000	7,669,792,000	8,205,086,000	$ 8,143,965,000	
Net cash flow for 2021	(268,238,000)	(268,238,000)	(268,238,000)	(268,238,000)	
Assumed investment return	469,400,000	452,258,000	484,375,000	480,708,000	
Adjusted market value as at December 31, 2021	$ 8,156,668,000	$ 7,853,812,000	$ 8,421,223,000	$ 8,356,435,000	$ 8,644,382,000
Going Concern Value of Assets					
Average of the five adjusted market values as at December 31, 2021					$ 8,286,504,000
Net outstanding amounts					0
Going concern value of assets as at December 31, 2021					$ 8,286,504,000

Comment:

- The rate of return earned on the going concern value of assets, net of all expenses, from December 31, 2018 to December 31, 2021 is approximately 7.9% per annum.

Appendix C: Actuarial Basis – Going Concern Valuation

C.1 Methods

Asset Valuation Method

The going concern value of assets was calculated as the average of the market value of invested assets at the valuation date and the four previous years' adjusted market values. The market values at December 31 of each of the four preceding years were accumulated to the valuation date with net cash flow (i.e., contributions less benefit payments) and assumed investment return. Net cash flow was assumed to occur uniformly throughout each year, with the exception of March 2, 2020 Inergi / Vertex transfer for which the actual transfer date was reflected. Assumed investment return for a year was calculated assuming that each year, the assets earned interest at the going concern discount rate in effect for that year. Finally, this 5-year average of adjusted market values was then adjusted for net outstanding amounts.

The objective of the asset valuation method is to produce a smoother pattern of going-concern surplus (deficit) and hence a smoother pattern of contributions, consistent with the long-term nature of a going concern valuation.

Such smoothing is achieved by use of an averaging process which systematically recognizes investment returns different from expectations over a 5-year period, with 20% recognized at the valuation date and the remainder at a rate of 20% per year. This method will be expected to average periods of outperformance with periods of underperformance.

The expected return of the going concern discount rate has been selected to equal the expected return on the assets over long periods of time..

Actuarial Cost Method

The actuarial liability and the normal actuarial cost were calculated using the projected unit credit cost method (benefit accrual).

C.2 Actuarial Assumptions

	December 31, 2021	December 31, 2018
Economic Assumptions (per annum)		
Liability discount rate	5.80%	6.00%
Rate of inflation	2.00%	Same
Rate of salary increase	See Tables 1 & 2	2.50% plus Merit and Promotion (see Table 1)
Escalation of YMPE under Canada Pension Plan[1]	3.00%	Same
Escalation of ITA maximum pension limit[2]	3.00%	Same
Interest on members' contributions	2.00%	Same
Demographic Assumptions		
Mortality	90% of 2014 Private Sector Canadian Pensioners' Mortality Table (CPM2014Priv), projected generationally using Scale CPM-B	95% of 2014 Private Sector Canadian Pensioners' Mortality Table (CPM2014Priv), projected generationally using Scale CPM-B
Retirement from active membership	Age and service related rates (Table 3)	Age and service related rates (Table 4)
Pension commencement after termination of employment	Age 65	Same
Withdrawal	Service-related rates (Table 5)	Service-related rates (Table 5)
Disability incidence/recovery	Age-related rates (Table 6)	Same
Other		
Percentage of members with an eligible spouse at pension commencement and electing joint and survivor pension form	85%	90%
Years male spouse older than female spouse	2	3
Provision for non-investment expenses	None; return on plan assets is net of all expenses	Same

Notes:

[1] The YMPE of $64,900 for 2022 is the starting value for the YMPE projection as at the current actuarial valuation and is indexed starting in 2023.

[2] The ITA maximum pension limit of $3,420.00 per year of service in 2022 is the starting value for maximum pension limit projection as at the current valuation and is indexed starting in 2023.

Table 1 — Merit and Promotion Scale

Age	First 4 Years of Employment	Subsequent Years
Under 25	7.5%	2.0%
25 - 29	5.5%	2.0%
30 - 34	3.5%	2.0%
35 - 39	3.5%	1.5%
40 – 44	3.5%	1.5%
45 - 49	2.0%	1.0%
50 - 54	2.0%	1.0%
55 - 59	1.0%	0.5%
60 & over	1.0%	0.0%

Table 2 — Fixed Increases

Group	2022	2023-2027	2028 onward
PWU	2.20%	2.00%	2.50%
Society	2.03%	2.00%	2.50%
Management	2.03%	2.00%	2.50%

Table 3 — Retirement rates at December 31, 2021

Age	Eligible for Unreduced Retirement: Based on points (82 or 85)	Eligible for Unreduced Retirement: 35 years of service and over	Not Eligible for Unreduced Retirement
Under 55	13%	45%	0%
56 to 57	13%	45%	5%
58	13%	30%	5%
59	15%	30%	8%
60	15%	30%	8%
61	15%	20%	8%
62 to 64	25%	20%	8%
65	50%	50%	30%
66 to 69	25%	40%	20%
70 and over	100%	100%	100%

Table 4 — Retirement rates at December 31, 2018

Age	Eligible for Unreduced Retirement: Based on points (82 or 85)	Eligible for Unreduced Retirement: 35 years of service and over	Not Eligible for Unreduced Retirement
Under 55	10%	30%	0%
55 to 59	15%	30%	5%
60 to 64	12%	30%	7%
65	50%	30%	20%
66 to 69	25%	30%	15%
70 and over	100%	100%	100%

Table 5 — Termination rates at December 31, 2021

Service (years)	December 31, 2021	December 31, 2018
Under 20	1.2%	1.0%
20 and over	0%	0%

Table 6 — Sample Disability Rates

Age	Male & Female
Under 25	0.100%
25	0.100%
30	0.105%
35	0.110%
40	0.115%
45	0.120%
50	0.295%
55	1.000%
60 and above	1.878%

C.3 Rationale for Actuarial Assumptions

The rationale for the material actuarial assumptions used in the going concern valuation is summarized below.

The going concern assumptions do not include margins for adverse deviations as a separate provision for adverse deviations has been applied to the actuarial liability and normal actuarial cost.

Liability discount rate

The assumption is an estimate of the expected long-term return on plan assets adjusted as follows:

■ Expected long-term return on plan assets before adjustments	5.91%
■ Investment management fees	(0.04)%
■ Adjustment for non-investment expenses paid by the plan	(0.07)%
■ Expected long-term return on plan assets after adjustments	5.80%

Rate of inflation

Estimate of future rates of inflation considering economic and financial market conditions at the valuation date. Furthermore, the Bank of Canada targets an inflation rate between 1.0% and 3.0% (2.0% average).

Rate of salary increase

The fixed increase component of the salary scale (for 2028 onwards; shown in Table 2 above), and the Merit and Promotion scale was developed based on a review of plan experience for the years 2002 to 2016 and an assessment of future expectations.

The fixed increases (shown in Table 2 above) for 2022 to 2027 were provided by Hydro One.

Escalation of YMPE under C/QPP and ITA limit

Indexed annually based on increases in the Industrial Aggregate Wage index for Canada, assumed to be a rate of inflation of 2.00% per annum, plus 1.00% per annum for the effect of real economic growth and productivity gains in the economy.

Mortality

Base mortality rates from the CPM2014Priv table, with a multiplier of 90% based on a review of the experience of the plan's actual mortality experience over the period 2016-2020 are considered reasonable for the actuarial valuation. Applying improvement scale CPM-B generationally provides allowance for

improvements in mortality after 2014 and is considered reasonable for projecting mortality experience into the future.

Regarding the adoption of MI-2017 versus CPM-B, the CIA Committee on Pension Plan Financial Reporting Educational Note on Selection of Mortality Assumptions for Pension Plan Actuarial Valuations dated December 2017 notes that “Given the recent publication of both scales and the similar data sets used in their development, it may be appropriate to use either scale in the absence of credible information to the contrary, such as the publication of a successor scale by the CIA.”

At the previous actuarial valuation, the CPM2014Priv Table, with a multiplier of 95%, projected generationally using Scale CPM-B was used.

Retirement from active membership

The rates of retirement were developed based on a review of plan experience for the years 2016 to 2020 and an assessment of future expectations. All members are assumed to commence their pension at retirement date.

Pension commencement after termination of employment

All terminated members are assumed to commence their pension at the age that produces the highest liability.

Withdrawal

The rates of withdrawal were developed based on a review of plan experience for the years 2016 to 2020 and an assessment of future expectations.

Percentage of involuntary terminations of employment

No allowance has been made for involuntary terminations of employment since assuming otherwise would not have a material impact on the actuarial valuation results.

Disability incidence/recovery

The rates of disability incidence/recovery are based on a prior assessment performed by Mercer (Canada) Limited. The use of a different assumption would not have material impact on the actuarial valuation results.

Percentage of members with an eligible spouse at pension commencement and electing joint and survivor pension form

When provided, the actual data for the spouse and form of payment were used for retired members. For other members, the assumed percentage of members with a spouse were developed based on a review of plan experience for the years 2016 to 2020 and an assessment of future expectations.

Years male spouse older than female spouse

When provided, the actual data for the spouse were used for retired members. For other members, a review of plan data for the years 2016 to 2020, and an assessment of future expectations for members of the plan was used.

Provision for non-investment expenses

The liability discount rate is net of all expenses (with the exception of any fees associated with employing an active investment management strategy). The assumed level of expenses reflected in the liability discount rate is based on recent experience of the plan and an assessment of future expectations.

Appendix D: Actuarial Basis – Solvency and Hypothetical Windup Valuations

D.1 Methods

Asset Valuation Method

The market value of invested assets, adjusted for net outstanding amounts, has been used for the solvency and hypothetical windup valuations. The resulting value has been reduced by a provision for plan windup expenses.

The adjustment in respect of the smoothing of solvency assets for purposes of determining the statutory solvency deficiency was calculated as the difference between the going concern of assets used for the going concern valuation and the market value of assets.

Liability Calculation Method

The solvency and hypothetical windup liabilities for members were calculated using the traditional unit credit cost method.

Other Considerations

The solvency and hypothetical windup valuations have been prepared on a hypothetical basis. In the event of an actual plan windup, the plan assets may have to be allocated between various classes of plan members or beneficiaries as required by applicable Pension Legislation. Such potential allocation has not been performed as part of these solvency and hypothetical windup valuations.

D.2 Solvency Incremental Cost Actuarial Method

To calculate the Solvency Incremental Cost ("SIC"), we used the same method as for the solvency valuation.

No new entrants have been considered on the basis that such assumption would not have a material impact on the SIC. The projected population, benefits and members' contributions were adjusted with the going concern actuarial assumptions and the plan provisions.

We adjusted the expected settlement method at the end of the projection period to reflect demographic evolution of each plan member. Regardless of that change, we used the discount rate applicable to the settlement method at the valuation date for each member.

The liability discount rates (before averaging) are assumed to remain at their current level over the projection period.

For benefits that are expected to be settled by commuted value transfers, the solvency liability for projection dates beyond February 1, 2022 does not reflect the change to the Standards of Practice for Pension Commuted Values which are effective February 1, 2022.

D.3 Actuarial Assumptions

	December 31, 2021	December 31, 2018
Economic Assumptions (per annum)		
Liability discount rate		
■ Annuity purchase (non-indexed)	2.76%	3.20%
■ Annuity purchase (fully-indexed)	(0.54)%	0.08%
■ Annuity purchase (partially-indexed)[1]	0.29%	0.85%
■ Commuted value transfer (non-indexed)	2.30% for 10 years, 3.40% thereafter	3.20% for 10 years, 3.40% thereafter
■ Commuted value transfer (fully-indexed)	0.80% for 10 years, 1.20% thereafter	1.70% for 10 years, 1.80% thereafter
■ Commuted value transfer (partially-indexed)[1]	1.20% for 10 years, 1.70% thereafter	2.07% for 10 years, 2.17% thereafter
Liability discount rate (after averaging for solvency)		
■ Annuity purchase	2.80%	3.14%
■ Commuted value transfer	2.38% for 10 years, 3.12% thereafter	2.52% for 10 years, 3.56% thereafter
Discount rate for determining amortization payments	N/A	Same
Escalation of *Income Tax Act* (Canada) maximum pension limitation [2]	3.00%	1.14% for 10 years, 1.91% thereafter
Demographic Assumptions		
Mortality – Annuity purchase	90% of 2014 Private Sector Canadian Pensioners' Mortality Table (CPM2014Priv), projected generationally using Scale CPM-B	CPM2014 Canadian Pensioners' Mortality Table, projected generationally using Scale CPM-B
Mortality – Commuted value	CPM2014 Canadian Pensioners' Mortality Table, projected generationally using Scale CPM-B	Same
Retirement/pension commencement	Described in section D.4	Same

	December 31, 2021	December 31, 2018
Other		
Percentage of members with an eligible spouse at pension commencement and electing joint and survivor pension form	85%	90%
Years male spouse older than female spouse	2	3
Percentage of members receiving settlement by commuted value transfer [3]	Retired members and beneficiaries: 0% Other members: ■ Not eligible for retirement: 60% ■ Eligible for retirement: 20%	Same
Provision for expenses		
■ Solvency and Hypothetical windup	$7,000,000	Same

Notes:

[1] Applicable to New Society and New Management members only.

[2] The ITA maximum pension limit $3,420.00 per year of service in 2022 and is indexed starting in 2023.

[3] The balance are assumed to receive settlement by annuity purchase.

D.4 Rationale for Actuarial Assumptions

The rationale for the material actuarial assumptions used in the solvency and hypothetical windup valuations is summarized below.

The actuarial assumptions used in the solvency and hypothetical windup valuations do not include margins for adverse deviations.

Liability discount rate

Portion of the solvency and hypothetical windup liabilities expected to be settled by a group annuity purchase

Based on the CIA annuity purchase guidance applicable at the valuation date which corresponds to an approximation of the annuity purchase rate. The duration of the liabilities assumed to be settled through the purchase of non-indexed annuities is, prior to reflecting any adjustments to the mortality table, 12.1.

The discount rate has been adjusted by (0.14)% to be consistent with the adjustment made to the mortality table underlying the CIA annuity purchase guidance, as described below.

Portion of the solvency and hypothetical windup liabilities expected to be settled by commuted value transfer

Determined in accordance with the *Standards of Practice for Pension Commuted Values* in effect at the valuation date.

Liability discount rate for solvency (after averaging)

The average discount rates for calculation of the statutory solvency deficiency are based on the following:

- Benefits that are expected to be settled by a group annuity purchase, the average of the annualized approximate annuity purchase rates at December 31, 2021 and the four previous year-ends[1], determined as follows:

December 31, 2017	2.96%
December 31, 2018	3.06%
December 31, 2019	2.86%
December 31, 2020	2.36%
December 31, 2021	2.76%
Average	2.80%

Note:

[1] When applicable, the approximate annuity purchase interest rates prior to December 31, 2021 have been adjusted to reflect the change in the mortality table assumption applicable to the determination of liabilities settled by group annuity purchase.

- Benefits that are expected to be settled by commuted value transfers, the average of the interest rates determined under the *Standards of Practice for Pension Commuted Values,* published by the Canadian Institute of Actuaries, at December 31, 2021 and the four previous year-ends[1], determined as follows:

	Rate for 10 years	Rate after 10 years
December 31, 2017	2.60%	3.40%
December 31, 2018	3.20%	3.40%
December 31, 2019	2.40%	2.50%
December 31, 2020	1.40%	2.90%
December 31, 2021	2.30%	3.40%
Average	2.38%	3.12%

Note:

[1] The *Standards of Practice for Pension Commuted Values* effective on December 31, 2021 are assumed to have always been in effect when determining the interest rates prior to December 31, 2021.

Escalation of ITA maximum pension limit

See rationale for going concern assumptions in Appendix C.

Pre-retirement and Post-retirement pension increases

For the solvency valuation, as permitted under the Pension Legislation, post-retirement pension increases are assumed to be nil. For the hypothetical windup valuation, the assumption has been determined by applying the post-retirement increase provisions specified in the plan to the inflation assumption.

Mortality

For the benefits that are expected to be settled by a group annuity purchase

Based on CIA annuity purchase guidance. This guidance indicates that an adjustment to regular annuity purchase assumptions would be expected where there is demonstrated sub- or super-standard mortality versus a typical group annuity purchase, or where an insurer might be expected to assume significantly shorter or longer-than-average pension plan longevity based on the above factors. In this regard, the mortality assumptions being used on a going concern basis suggests that the standard mortality rates be adjusted. For solvency and windup valuation purposes, and consistent with the going concern valuation basis, base mortality rates from the CPM2014 Private table have been used, with a multiplier of 90%, projected generationally using improvement scale CPM-B. In order to reflect the plan-specific mortality, we

recalibrate the CIA annuity purchase guidance to replace CPM2014 Combined (which we believe is more conservative than the mortality rates for a typical group annuity purchase) with CPM2014 Private (which we believe is more representative), as illustrated below, thereby lowering the discount rate.

	Mortality Table	Discount Rate	Solvency Liability
Calculate preliminary solvency liability for benefits expected to be settled by a group annuity purchase, based on unadjusted CIA annuity purchase guidance	CPM2014 Combined with improvement scale CPM-B	2.90%	$6,250,410,789
Recalibration to reflect mortality rates for a typical group annuity purchase	CPM2014 Private with improvement scale CPM-B	2.76%	$6,246,886,360
Calculate final solvency liability for benefits expected to be settled by a group annuity purchase, based on adjusted mortality rates	CPM2014 Private, with a multiplier of 90%, and improvement scale CPM-B	2.76%	$6,406,605,166

For benefits that are expected to be settled by commuted value transfer

Determined in accordance with the *Standards of Practice for Pension Commuted Values* in effect at the valuation date.

No pre-retirement mortality has been assumed in order to approximate the value of pre-retirement death benefits.

Retirement/pension commencement

For active and disabled members :

For the benefits that are expected to be settled by a group annuity purchase:

- Members eligible to retire: pension commences at the age that produces the highest actuarial value (including statutory grow-in rights).
- Members with age plus continuous service greater than or equal to 55 years: pension commences at the age that produces the highest actuarial value (including statutory grow-in rights).
- Other members: age that produces the highest actuarial value.

For benefits that are expected to be settled by commuted value transfer:

- Members eligible to retire: 50% at the age that produces the highest actuarial value, and 50% at the earliest unreduced pension commencement age (including statutory grow-in rights).
- Members with age plus continuous service greater than or equal to 55 years: 50% at the age that produces the highest actuarial value, and 50% at the earliest unreduced pension commencement age (including statutory grow-in rights).
- Other members: 50% at the age that produces the highest actuarial value, and 50% at the earliest unreduced pension commencement age.

For deferred vested members :

- Members are assumed to retire at the earliest age at which they qualify for an unreduced pension.

For the benefits that are expected to be settled by a group annuity purchase, this is in accordance with the CIA Standards and legislative requirements, and consistent with the expected assumption that would have been used by insurers to price the group annuity. For benefits that are expected to be settled by commuted value transfers, this assumption is in accordance with the Canadian Institute of Actuaries' Standards of Practice for Pension Commuted Values.

Percentage of members with an eligible spouse at pension commencement and electing joint and survivor pension form

See rationale for going concern assumptions in Appendix C.

Years male spouse older than female spouse

See rationale for going concern assumptions in Appendix C.

Percentage of members receiving settlement by commuted value transfer

This assumption has been determined by considering the benefit provisions of the plan, legislative requirements to offer specific settlement options to various classes of members, and, in particular, the options available to members upon plan windup.

The assumption also reflects the expectation that members further from retirement are more likely to elect to settle their pension benefit by a commuted value transfer, while members closer to retirement are more likely to elect to settle their pension benefit through a group annuity purchase where this option is available. In addition, the assumption reflects past plan experience for terminating and retiring members.

Provision for expenses

Allowance was made for normal administrative, actuarial, legal and other costs which would be incurred if the plan were to be wound up (excluding costs relating to the resolution of surplus or deficit issues). The actuarial valuation is premised on a scenario in which the employer continues to operate after the windup date. In establishing the allowance for plan windup costs, certain administrative costs were assumed to be paid from the pension fund (consistent with past practice) while other costs were assumed to be borne directly by the employer.

Appendix E: Membership Data

	December 31, 2021	December 31, 2018
Active members		
■ Number	5,826	5,417
■ Average age	43.6	43.8
■ Average service	11.3	11.9
■ Annual payroll	$ 656,459,055	$ 573,175,762
■ Average Salary	$ 112,677	$ 105,811
■ Accumulated contributions with interest	$ 460,285,927	$ 400,687,906
Disabled members		
■ Number	206	182
■ Average age	53.6	53.3
■ Average service	20.4	18.7
■ Annual payroll	$ 19,704,928	$ 16,744,522
■ Average Salary	$ 95,655	$ 92,003
■ Accumulated contributions with interest	$ 14,707,575	$ 11,946,420
Retired Members		
■ Number	5,954	5,775
■ Average Age	72.5	71.9
■ Total Lifetime Annual Pension	$ 287,678,867	$ 261,518,671
■ Average Lifetime Annual Pension[1]	$ 48,317	$ 45,285
■ Total Temporary Annual Pension	$ 21,649,086	$ 21,738,013
Beneficiaries and Survivors		
■ Number	1,619	1,717
■ Average Age	81.7	81.1
■ Total Lifetime Annual Pension	$ 47,738,248	$ 46,592,190
■ Average Lifetime Annual Pension[1]	$ 29,486	$ 27,136
■ Total Temporary Annual Pension	$ 253,230	$ 344,094

	December 31, 2021	December 31, 2018
Terminated Vested Members		
■ Number	327	302
■ Average Age	52.9	53.7
■ Total Annual Pension[2]	$ 3,660,027	$ 3,038,183
■ Average Annual Pension	$ 11,193	$ 10,060
Outstanding Commuted Values		
■ Number	17	N/A
■ Total outstanding commuted values	$ 1,015,012	N/A

Notes:

[1] Excluding temporary annual pension.

[2] Prior to application of Income Tax Act maximum pension limits.

The following distribution relates to active and disabled members. The following meanings have been assigned to:

- Age: Age as at December 31, 2021
- Credited Service: Credited service as at December 31, 2021
- Earnings: Pensionable earnings for the year beginning January 1, 2022

		Credited Service								
Age		*0 - 4*	*5 - 9*	*10 - 14*	*15 - 19*	*20 - 24*	*25 - 29*	*30 - 34*	*35 +*	*Total*
< 25	Number	41								41
	Average Earnings	89,102								89,102
25 - 29	Number	366	34							400
	Average Earnings	100,129	111,575							101,102
30 - 34	Number	443	333	128						904
	Average Earnings	101,751	108,521	114,354						106,029
35 - 39	Number	257	313	660	38					1,268
	Average Earnings	103,212	106,849	116,973	124,502					111,910
40 - 44	Number	157	151	358	178	21				865
	Average Earnings	107,501	107,632	115,420	125,041	124,013				114,812
45 - 49	Number	116	91	226	158	72				663
	Average Earnings	112,073	108,271	117,788	118,363	117,084				115,542
50 - 54	Number	126	55	193	104	61	26	89		654
	Average Earnings	115,257	103,401	116,172	122,221	115,905	125,248	121,693		116,971
55 - 59	Number	97	46	166	86	89	23	222	35	764
	Average Earnings	115,830	107,222	113,525	116,916	113,751	114,774	119,053	117,711	115,682
60 - 64	Number	40	20	97	54	42	4	64	54	375
	Average Earnings	113,903	97,032	109,195	112,352	110,764	114,884	115,512	110,055	110,942
65 +	Number	13	6	24	16	11	3	12	13	98
	Average Earnings	122,654	104,691	118,741	120,238	119,043	166,528	122,312	126,515	121,610
Total	Number	1,656	1,046	1,852	634	296	56	387	102	6,032
	Average Earnings	104,884	107,405	115,814	120,577	115,507	122,418	119,176	114,780	112,096

Average Age = 43.9 Average Credited Service = 11.6

Review of Membership Data

The membership data were supplied by Hydro One Inc.'s third-party administrator, LifeWorks, as at December 31, 2021.

Elements of the data review included the following:

- ensuring that the data were intelligible (i.e., that an appropriate number of records was obtained, that the appropriate data fields were provided and that the data fields contained valid information);
- preparation and review of membership reconciliations to ascertain whether the complete membership of the plan appeared to be accounted for;
- review of consistency of individual data items and statistical summaries between the current actuarial valuation and the previous actuarial valuation;
- review of reasonableness of individual data items, statistical summaries and changes in such information since the previous actuarial valuation date; and
- comparison of the membership data and the plan's financial statements for consistency.

However, the tests conducted as part of the membership data review may not have captured certain deficiencies in the data. We have also relied on the certification of the plan administrator as to the quality of the data, as described below.

Missing, Insufficient or Unreliable Data

The review of membership data revealed that certain data elements were missing, insufficient or unreliable. The following adjustments and assumptions were applied to the data for purposes of the actuarial valuation:

- With respect to the pensioners that elected a joint and survivor pension option, the membership data supplied by LifeWorks as at December 31, 2021 had missing spousal information (i.e. the spouse's gender). The opposite gender to the pensioners' record has been applied to the data for the purposes of the actuarial valuation.

Membership Reconciliation

	Actives	Disabled	Terminated vested	Retired	Beneficiaries and survivors	Total
As at December 31, 2018	5,417	182	302	5,775	1,717	13,393
New entrants	977	0	0	0	0	977
Transfers from Inergi and Vertex	205	2	17	59	21	304
From disabled	13	(13)	0	0	0	0
To disabled	(71)	71	0	0	0	0
Termination (with lumpsum)	(95)	(1)	(18)	0	0	(114)
Termination (with pension)	(75)	0	75	0	0	0
Retirement	(529)	(29)	(46)	604	0	0
Deceased (without beneficiary)	(8)	(5)	(4)	(260)	(359)	(636)
Deceased (with beneficiary)	(9)	(1)	(1)	(224)	235	0
New ex-spouse	0	0	0	0	5	5
Data correction	1	0	2	0	0	3
Net change	409	24	25	179	(98)	539
As at December 31, 2021	5,826	206	327	5,954	1,619	13,932

Appendix F: Summary of Plan Provisions

The following is an outline of the principal features of the plan which are of financial significance to valuing the plan benefits. This summary is based on the plan document as at November 7, 2016 and amendments up to and including the valuation date, as provided by Hydro One Inc. It is not a complete description of the plan terms and should not be relied upon for administration or interpretation of benefits. For a detailed description of the benefits, please refer to the plan document.

F.1 DB Provisions

Membership

The following categories of employees are members of the Pension Plan:

a) All regular employees (see Note 1a and Note 1b);

b) Employees for whom the Office and Professional Employees International Union was the bargaining agent prior to July 30, 1982;

c) Continuing construction employees who were members admitted to the Ontario Electricity Financial Corporation Pension Plan and its predecessors;

d) Employees who became continuing construction clerical employees after July 29,1982 and before August 8, 1984;

e) Employees who have completed three months of continuous employment as a probationary employee (see Note 1a and Note 1b).

Note 1a: Management employees hired on or after January 1, 2004 and Society represented employees hired on or after November 17, 2005 are eligible after completing three months of continuous employment but are not required to join the Pension Plan.

Note 1b: Management employees who were not eligible to elect to become a member of the Pension Plan on or after September 30, 2015 are no longer eligible to join the Pension Plan. Additionally, effective March 1, 2021, any employee who became a member of the plan on or after September 30, 2015 while represented by the Power Worker's Union or the Society of United Professionals and later becomes employed at the management level shall cease to accrue service in the plan but will continue to earn service for the purposes of the early retirement subsidies of the plan. Additionally, pensionable earnings at the date of the employment as a management level employee will be increased thereafter with by 100% of the Consumer Price Index Canada.

Any other employee who has completed twenty-four months of continuous employment and who has at least 700 hours of employment or earnings of 35% of the Year's Maximum Pensionable Earnings ("YMPE"), as defined under the Canada Pension Plan in each of the two previous consecutive calendar years, may elect to become a member of the Pension Plan.

Normal Retirement Date

a) Female members whose continuous employment commenced prior to January 1, 1976: The first day of the month when she in fact retires, coincident with or next following the attainment of age 60 or any subsequent month up to the month coincident with or next following her 65th birthday.

b) All other members: The first day of the month coincident with or next following the attainment of age 65.

Amount of Accrued Pension

Life Pension

a) 2% of the member's "high three-year average" (see Note 6) for each year of credited service, subject to a maximum of 35 years (see Note 2 and Note 3).

Note 2: For Management employees hired on or after January 1, 2004, and Society represented employees hired on or after November 17, 2005 the reference to "high three-year average" is changed to "high five-year average" for pensionable service while a Management or Society-represented employee.

Note 3: For members represented by PWU and the Society, for service accrued after March 31, 2025 for current employees and new hires, the benefit calculated will be determined using "high five-year average" (updated from "high three-year average" used for service accrued until March 31, 2025) as outlined in the respective collective agreements.

LESS

b) 0.625% of the member's "high five-year average" up to the "average YMPE" (see Note 6) for each year of credited service included in (a) above subsequent to December 31, 1965, subject to a maximum of 35 years – see Note 4.

Note 4: Effective July 1, 2001, for members of the PWU, and effective January 1, 2004, for Society represented members hired before November 17, 2005; the factor is reduced from 0.625% to 0.50%.

Bridge Pension (see Note 5)

0.625% of the member's "high five-year average" up to the "average YMPE" (see Note 6) for each year of credited service included in (a) above, subject to a maximum of 30 years, multiplied by 35, and divided by 30. This is generally payable until age 65.

The bridge benefit is reduced for early retirement in accordance with the same early retirement reduction provision applicable to the early retirement life pension described below.

Note 5: For Management employees hired on or after January 1, 2004 and Society represented employees hired on or after November 17, 2005, no bridge pension is payable for pensionable service while a Management or Society-represented employee. Effective January 1, 2018, Society represented employees hired on or after November 17, 2005 will be entitled to a bridge benefit equal to 0.625% up to the average YMPE for each year of service from January 1, 2018 onward while the member is earning a benefit under the basic formula.

Note 6: "High three-year average"/ "high five-year average" is the average of the member's base annual earnings plus bonuses up to a set percentage during the 36/60 consecutive months when the base earnings were highest. For earnings after 1999, the percentage of bonus under the performance achievement plan included in pensionable earnings is 50%. The "average YMPE" is the average of the YMPE's during the 60 consecutive months when the base earnings were highest.

Early Retirement

Age Plus Service (See Note 7 and Note 8)

A member may retire prior to the normal retirement date without any reduction in the accrued pension, if the sum of the member's age and years of continuous employment is equal to or greater than 82 or the member has 35 years of continuous employment, whichever occurs first (see Note 7).

Note 7: For Management employees hired on or after January 1, 2004 and Society represented employees hired on or after November 17, 2005, retirement without reduction is available when the sum of the employee's age and years of pensionable service is equal to or greater than 85 or the employee has 35 years of pensionable service, whichever occurs first.

Note 8: For members represented by PWU, for service accrued after March 31, 2025, the early retirement criteria for an unreduced pension will be changed from the sum of the employee's age and years of pensionable service is equal to or greater than 82 to the 85 as outlined in the collective agreement.

25 or More Years of Continuous Employment (see Note 9)

A member who does not qualify for the early retirement provisions above who is at least age 55 and has 25 or more years of continuous employment may retire prior to age 60, in which case the member's

accrued pension is reduced by 3% for each year by which early retirement precedes age 60. These reductions also apply to members who elected a deferred pension when they left the Pension Plan and had 25 or more years of continuous employment.

Female Members with More Than 15 Years or Other Members with 15 or More Years but Less than 25 Years of Continuous Employment (see Note 9)

A female member whose continuous employment commenced prior to 1976 with at least 15 years of continuous employment, or any other member with 15 or more years but less than 25 years of continuous employment, who does not qualify for any of the previously mentioned early retirement provisions, may retire within 10 years of normal retirement date. In such a case the member's accrued pension is reduced by 2% for each year up to five years and 3% for each additional year by which the early retirement date precedes the member's normal retirement date.

These reductions apply with respect to a female member whose employment commenced prior to 1976 and who has a deferred pension and at least 25 years of continuous employment at retirement. For any other members who have a deferred vested pension and have fewer than 25 years of continuous employment and are at least age 55 when they request that the pension payments begin, the deferred vested pension will be actuarially reduced (unless the member was eligible for an unreduced early retirement provision in effect when the member terminated active employment).

Other Members

A member, who does not qualify under any of the previously mentioned early retirement provisions, may retire within 10 years of normal retirement date. If the retirement occurred prior to July 1, 2012, the member is also required to have at least two years of Pension Plan membership. In such a case, the pension is the actuarial equivalent of the member's deferred pension provided that the reduction shall not be less than the minimum early retirement reduction required under the *Income Tax Act* (Canada).

Terminated Members with Deferred Pensions

A terminated member with a deferred pension may retire under any of the previously mentioned provisions for early retirement without reduction provided that such provision was in effect on the date of termination. In addition, if the member's employment is terminated on or after July 1, 2012, the member may be eligible for grow-in benefits under the *Pension Benefits Act* (Ontario) ("PBA"), resulting in the member being entitled to early retirement benefits under the Pension Plan that the member would not otherwise be eligible to receive on the date of termination.

Note 9: For Management employees hired on or after January 1, 2004 and Society represented employees hired on or after November 17, 2005 all references to "continuous employment" are to be replaced with "pensionable service" for service while a Management or Society-represented employee.

Postponed Retirement

Members who work past their normal retirement date shall continue to accrue benefits until December 1st of the calendar year they reach age 71 (or the Income Tax Act age limit, if different), they reach the 35 year service limit, or they terminate employment, whichever occurs first. If a member reaches 35 years of service and ceases contributions to the Pension Plan, service after 35 years is not counted in the calculation of the member's pension, but the pension is calculated using the member's base earnings up to the date of postponed retirement. If the member works past age 71, the member's pension will commence to be paid not later than December 1st of the year in which the member turns age 71.

Pension Increases

Pension increases of 100% (see Note 10) of the increase in the Consumer Product Index ("CPI") (Ontario), for the 12-month period ending in June of the previous year , will be given every January 1 to pensioners, beneficiaries and terminated employees with deferred pensions to an annual maximum of 8% each year after 1999. Any excess will be carried forward to use in future years up to the 8% limit.

Note 10: For Management employees hired on or after January 1, 2004 and Society represented employees hired on or after November 17, 2005, pension increases of 75% CPI (Ontario) for the 12-month period ending in June of the previous year will be given every January 1, to an annual maximum increase of 5%, with no carry forward.

Disability

A totally disabled employee receives benefits from an income replacement plan and ceases to contribute to the Pension Fund, but continues to accrue credited service. For this member, the base annual earnings for pension purposes are deemed to be increased by the same percentage increases described for pensions above.

Employee Contributions

Members contribute based on their employee group at the following rates until they complete 35 years of credited service and up to the limits established by the Income Tax Act :

Employee Group	Management hired on/after Jan. 1, 2004	Management hired pre Jan. 1, 2004	Society hired on/after Nov. 17, 2005	Society hired pre Nov. 17, 2005	Power Workers Union
Up to YMPE	8.25%	8.75%	8.25%	8.75%	8.75%
Above YMPE	10.75%	11.25%	10.75%	11.25%	11.25%

Death Before Retirement

No Surviving Spouse or Eligible Dependent Children

Fewer than two years of Pension Plan membership (Deaths prior to July 1, 2012)

The member's beneficiary or estate receives a cash refund of the member's contributions plus interest.

Two or more years of Pension Plan membership

The beneficiary or estate will receive the following:

- For pre-1987 service: a cash refund of the member's contributions plus interest.
- For post-1986 service: a lump sum equal to the commuted value of the member's pension earned since 1986, plus a refund of any excess contributions.

For deaths occurring on or after July 1, 2012, the beneficiary or estate will be entitled to the death benefits described above regardless of the member's length of service.

Surviving Spouse (see Note 12)

Fewer than two years of Pension Plan membership and less than 10 years of continuous employment

The beneficiary or estate receives a cash refund of the member's contributions plus interest.

Fewer than two years of Pension Plan membership and more than 10 years of continuous employment

The surviving spouse receives an immediate pension of 66.67% of the member's accrued pension earned to the date of death.

More than two years of Pension Plan membership, but less than 10 years of continuous employment

For pre-1987 service: The beneficiary or estate receives a cash refund of the member's contributions plus interest.

For post-1986 service:

- The beneficiary or estate receives a refund of any excess member contributions; and
- The surviving spouse chooses either:

a. a lump-sum payment equal to the commuted value of the pension earned after 1986, or

b. an immediate or deferred pension with a commuted value equal to pension earned after 1986.

More than two years of Pension Plan membership, and more than 10 years of continuous employment

For pre-1987 service: The surviving spouse receives an immediate pension of 66.67% of the member's accrued pension earned prior to 1987.

For post-1986 service:

- The beneficiary or estate receives a refund of any excess member contributions; and
- The surviving spouse chooses either:
- a lump-sum payment equal to the commuted value of the pension earned after 1986, or
- an immediate or deferred pension with a commuted value equal to pension earned after 1986. The immediate pension will not be less than 66.67% of the pension earned after 1986.

Note 12: For deaths occurring on or after July 1, 2012, the surviving spouse's entitlement to death benefits for post-1986 service shall be determined without reference to whether the member had more or less than two years of Pension Plan membership. In addition, for deaths occurring on or after July 1, 2012, if the surviving spouse is entitled to the death benefits in respect of the member's post-1986 service, the surviving spouse is also entitled to an amount equal to the member's contributions, with interest, in respect of pre-1987 service, rather than the designated beneficiary or estate.

Dependent Children, No Surviving Spouse

If the member completed 10 years of continuous employment, the survivor's pension is payable to the surviving spouse until death or, if there is no eligible spouse, to the dependent children until age 18 (longer if disabled or in full-time attendance at a school or university). The total benefits paid are subject to a minimum of the member's contributions with interest. A payment of the commuted value of the member's deferred pension less the commuted value of the pension payable to any dependent children is made to the beneficiary or estate.

Death After Retirement

A survivor's pension, being an amount equal to 66.67% of the pension to which the member would have been entitled, is payable on death after retirement to the surviving spouse, subject to other options chosen at the time of retirement. If the survivor spouse subsequently dies and is survived by the dependent children, or the member does not have a surviving spouse and is survived only by dependent children, the 66.67% survivor pension is split among the dependent children and is payable to age 18 (longer if disabled or in full-time attendance at a school or university).

If the member does not have a surviving spouse at retirement, the normal form of pension is a pension payable for life with a guarantee of 60 payments.

Optional forms of pension are available on an actuarially equivalent basis.

Termination of Employment (see Note 14)

Less Than One Year of Pension Plan Membership

A cash refund of the member's contributions plus interest.

More Than One Year But Fewer Than Two Years of Pension Plan Membership

The member is entitled to elect a cash refund of the member's contributions plus interest, or may leave the earned pension benefit in the Pension Plan to be paid upon retirement.

More Than Two Years but fewer than 10 Years of Pension Plan Membership and, either under Age 45, or Fewer Than 10 Years of Continuous Employment

For pre-1987 service: the member is entitled to a cash refund of the member's contributions plus interest, or may leave all of the earned pension benefit in the Pension Plan until retirement.

For post-1986 service: the member is entitled to leave all of the earned pension benefit in the Pension Plan until retirement; or to transfer (see Note 13) the commuted value of the earned pension.

More Than Two Years but fewer than 10 Years of Pension Plan Membership, and Age 45 or Older with More Than 10 Years of Continuous Employment

For pre-1987 service: the member is entitled to leave all of the earned pension benefit in the Pension Plan until retirement; or to transfer (see Note 13) 75% of the commuted value of the pension and receive a refund of 25% of the commuted value of your earned pension; or to leave 75% of the earned pension benefit in the Pension Plan until retirement, and receive a refund of 25% of the commuted value of the earned pension.

For post-1986 service: the member is entitled to leave all of the earned pension benefit in the Pension Plan until retirement; or to transfer (see Note 13) the commuted value of the earned pension.

More Than 10 Years of Pension Plan Membership, But Younger Than Age 45

For service from 1965 to 1986: the member is entitled to a cash refund of the member's contributions plus interest; or to leave all of the earned pension benefit in the Pension Plan until retirement; or to leave 75% of the earned pension benefit in the Pension Plan until retirement and receive a refund of 25% of the commuted value of the earned pension.

For post-1986 service: the member is entitled to leave all of the earned pension benefit in the Pension Plan until retirement; or to transfer (see Note 13) the commuted value of the earned pension.

More than 10 Years of Pension Plan Membership and Age 45 or Older

For pre-1965 service: the member is entitled to a cash refund of the member's contributions plus interest; or to leave all of the earned pension benefit in the Pension Plan until retirement; or to leave 75% of the earned pension benefit in the Pension Plan until retirement and receive a refund of 25% of the commuted value.

For service from 1965 to 1986: the member is entitled to leave all of the earned pension benefit in the Pension Plan until retirement; or to leave 75% of the earned pension benefit in the Pension Plan until retirement and receive a refund of 25% of the commuted value; or to transfer (see Note 13) the greater of the commuted value of 75% of the earned pension or the member's contributions with interest and receive a refund of 25% of the commuted value of the earned pension.

For post 1986 service: the member is entitled to leave all of the earned pension benefit in the Pension Plan until retirement; or to transfer the commuted value of the earned pension.

If a member is terminated on or after July 1, 2012, the member may be eligible for grow-in benefits under the PBA, which could result in the member being entitled to early retirement benefits under the Pension Plan that the member would not otherwise be eligible to receive on the date of termination. If grow-in benefits apply, this may affect the value of the benefits the member is entitled to receive on termination of employment or retirement.

Note 13: Amounts must be transferred to a pension fund related to another pension plan, a prescribed retirement savings arrangement, or a life annuity which does not commence before the earliest date on which the member would have been entitled to retire.

Note 14: In respect of terminations occurring on or after July 1, 2012, a member is entitled to the earned pension benefits for all service regardless of length of Pension Plan membership, continuous employment or age.

Excess Contributions

Upon the earliest of termination of employment, death or retirement, the amount by which the member's post-1986 contributions with interest exceed 50% of the commuted value of the vested deferred pension accrued after 1986 is refunded to the member (or to the spouse, beneficiary or estate, as applicable in the case of death before retirement).

Upon termination of employment, if a member who has attained age 45 and completed 10 or more years of continuous employment elects to fully divest the pension accrued prior to 1987, the member is entitled

to receive the amount by which the contributions with interest made after 1964 but prior to 1987 exceeds the commuted value of the pension accrued after 1964 but prior to 1987. (See Note 15)

Note 15: For terminations occurring on or after July 1, 2012, entitlement to excess contributions in respect of pre-1987 service shall be determined without reference to age or years of continuous employment.

Maximum Benefits

The benefits in respect of continuous employment after 1991 are limited to the maximum allowable under the Income Tax Act (Canada).

Special Considerations for Society Represented Members who Transferred from the Inergi LP Customer Services Operations Pension Plan, Vertex Customer Management (Canada) Limited Pension Plan or the Inergi LP Pension Plan

Notwithstanding the plan provisions described in this section, for service from the date of transfer, Society represented members who transferred from the above mentioned pension plans will participate in provisions applicable to Society represented employees hired on or after November 17, 2005.. For service prior to the date of transfer the benefits will be determined based on the provisions applicable under the prior plans which are the same as those applicable to Management employees hired before January 1, 2004 and Society represented employees hired before November 17, 2005, respectively.

Special Considerations for Employees Represented by Power Worker's Union or the Society of United Professionals who Transfer to Management Positions on or After March 1, 2021

Effective March 1, 2021, any employee who became a member of the plan on or after September 30, 2015 while represented by the Power Worker's Union or the Society of United Professionals and later becomes employed at the management level shall cease to accrue credited service in the plan. However such member will continue to earn service for the purposes of determining their benefit entitlement under the early retirement provisions of the plan. Additionally, pensionable earnings after the date oftransfer of employment to a management level employee will be determined based on pensionable earnings in effect immediately prior to the date of transfer of employment, increased annually at 100% of the Consumer Price Index Canada.

Appendix G: Sensitivity Analysis and Other Disclosures

G.1 Sensitivity Information

Amounts determined with a discount rate 1% lower:

Going concern actuarial liability (prior to application of PfAD)	$ 7,278,767,302
■ As percent increase	14.8%
Solvency actuarial liability	$ 8,401,401,887
■ As percent increase	15.0%
Normal actuarial cost in respect of benefit accruals (prior to application of PfAD)	$ 174,971,127
■ As percent increase	30.7%
Employer normal actuarial cost as a percentage of payroll	17.1%

G.2 Solvency Incremental Cost

Solvency incremental cost (up to next valuation date)	$ 889,051,783

G.3 Provision for Adverse Deviations Level

Target Asset Allocation for Fixed Income Assets

The information below as at December 31, 2021 has been used to determine the provision for adverse deviations level. The fixed income investments listed below meet the minimum credit rating prescribed by the Pension Legislation.

	Target asset allocation	Fixed income allocation	Non-fixed income allocation	Fixed income weight
Asset classes				
– Global Equities	35.0%	0.0%	35.0%	0%
– Private Equities	5.0%	2.5%	2.5%	50%
– Bonds and debentures	28.0%	28.0%	0.0%	100%
– Real estate and Infrastructure	30.0%	15.0%	15.0%	50%
– Cash and accrued income	2.0%	2.0%	0.0%	100%
Total	100%	47.5%	52.5%	

Benchmark Discount Rate

Components	Rate
CANSIM V39056	1.68%
Risk premium on non-fixed income assets[1]	2.63%
Risk premium on fixed income assets[2]	0.71%
Diversification allowance	0.50%
Benchmark discount rate	5.52%

Notes:

[1] 5.00% of the non-fixed proportion of the assets.

[2] 1.50% of the fixed proportion of the assets.

Provision for Adverse Deviations Level

Components	Provision for adverse deviations level
Fixed	4.0%
Asset mix based	3.3%
Benchmark discount rate based[1]	5.8%
Provision for adverse deviations level[2]	13.1%

Notes:

[1] Reflects going concern discount rate, prior to adjustement for expenses and rounding if any, less benchmark discount rate (subject to a minimum of zero), multiplied by the going concern liabilities duration.

[2] The provision for adverse deviations is applied to the going concern actuarial liability and total normal cost, excluding any portion for future indexation.

G.4 Effects of Plausible Adverse Scenarios

In accordance with CIA Standards of Practice, the risk assessments below have been performed only for the going concern valuation of the plan.

Interest Rate Risk

Yields on the plan's fixed income investments have been assumed to decline immediately by 95 basis points on a weighted average basis, resulting in a reduction in the going concern discount rate of 23 basis points. For this purpose, fixed income investments have been deemed to include only marketable universe bonds and long bonds, private debt and cash. The market values and expected returns for equities, real estate and infrastructure have been assumed to be unaffected by the bond yield changes.

The provision for adverse deviations (PfAD) has been assumed to increase from 13.10% to 22.77% due to the change in bond yields.

The smoothed value of assets adopted under the going concern basis has been adjusted to reflect the changes in fixed income investment values under this interest rate risk scenario.

The adverse scenario for interest rate risk is based on the capital market assumptions from WTW's capital market model, with a 10th percentile scenario used for each relevant asset class independently.

No allowance has been made for any other effects on the going concern actuarial liability or total normal cost due to the change in bond yields.

Deterioration of Asset Values

Market values of equities, real estate, private debt and infrastructure have been assumed to decline immediately by 17.54% on a weighted average basis. Market values of marketable universe bonds and long bonds, private debt and cash, expected future returns for all asset classes, as well as the going concern discount rate, have been assumed to be unaffected by this deterioration of asset values.

The smoothed value of assets adopted under the going concern basis has been adjusted to reflect this immediate deterioration of asset values.

No allowance has been made for any other effects of the deterioration of asset values.

The adverse scenario for a deterioration of asset values is based on the capital market assumptions from WTW's capital market model, with a 10th percentile scenario used for each relevant asset class independently.

Longevity Risk

Longevity risk has been assessed by applying a multiplier of 78.9% to the mortality rates disclosed in Appendix C (to be compounded with the existing multiplier(s)).

No allowance has been made for any effects on asset values or any effects on the going concern actuarial liability or total normal cost other than the mortality assumption change.

Effects

The effects of the plausible adverse scenarios above on the funded status of the plan and on the total normal cost is shown in the following table. For this purpose, the going concern actuarial liability and total normal cost reflect application of the PfAD.

Scenario	Baseline	Interest Rate Risk	Deterioration of Asset Values	Longevity Risk
Going concern discount rate	5.80%	5.57%	5.80%	5.80%
PfAD included in actuarial liabilities	13.10%	22.77%	13.10%	13.10%
PfAD included in normal actuarial cost	13.10%	22.77%	13.10%	13.10%
Weighted average fixed income yield change	N/A	(0.95)%	N/A	N/A
Fixed income asset value change	N/A	11.55%	N/A	N/A
Non-fixed income asset value deterioration	N/A	N/A	(17.54)%	N/A
Market value of assets	$ 8,644,382,000	$ 8,923,941,314	$ 7,552,700,286	$ 8,644,382,000
Going concern value of assets	$ 8,286,504,000	$ 8,342,416,000	$ 8,068,168,000	$ 8,286,504,000
Going concern actuarial liability (including PfAD)	$ 7,027,230,469	$ 7,775,173,133	$ 7,027,230,469	$ 7,218,912,548
Actuarial surplus (unfunded actuarial liability) after PfAD	$ 1,259,273,531	$ 567,242,867	$ 1,040,937,531	$ 1,067,591,452
Total normal actuarial cost (including PfAD)	$ 147,828,099	$ 168,207,960	$ 147,828,099	$ 150,363,449

G.5 PBGF Data

The following information is required to be disclosed under section 14 (8.0.4) (h) of the Regulation to the *Pension Benefits Act (Ontario)*, in order to provide information regarding the PBGF exposure related to the plan. The information shown is in respect of Ontario plan members only.

	Retired members and beneficiaries	Other members	Total
Number of members	7,573	6,359	13,932
Number of members with total lifetime and temporary monthly pension equal to or less than $1,500	1,025	2,670	3,695
Modified PBGF liability	$ 1,768,457,056	$ 1,110,001,599	$ 2,878,458,655

Percentile amounts	Monthly pension	PBGF liability	Monthly pension	PBGF liability
■ 10th percentile	$ 1,159	$ 67,793,422	$ 123	10,224,153
■ 20th percentile	2,051	230,959,776	482	34,000,960
■ 30th percentile	2,650	458,546,218	885	79,111,154
■ 40th percentile	3,230	766,273,636	1,361	157,573,074
■ 50th percentile	3,723	1,165,535,373	1,867	279,140,911
■ 60th percentile	4,302	1,635,610,668	2,231	445,538,928
■ 70th percentile	4,920	2,225,590,330	2,593	675,348,556
■ 80th percentile	5,698	2,934,947,813	3,146	963,645,528
■ 90th percentile	6,749	3,800,665,900	4,697	1,424,389,947

Amount of largest lifetime plus temporary monthly pension $ 22,440

Comments:

- The modified PBGF liability is the amount of PBGF liability in respect of monthly pension amounts up to $1,500. For members whose pension benefits have not yet commenced, the $1,500 limit is applied based on the pension amounts that would be payable at the member's assumed pension commencement age(s) (reflecting early retirement or other reductions as applicable) in accordance with the solvency and hypothetical windup assumptions.
- The PBGF liability for each percentile includes liabilities for members with total lifetime and temporary pensions equal to or less than the corresponding monthly pension amounts (i.e., all liabilities for members with total pensions exceeding these amounts are excluded). For members whose pension benefits have not yet commenced, the monthly pension amounts and corresponding PBGF liabilities are based on the accrued pension benefit (prior to any early retirement or other reductions).

Addendum to the Hydro One Pension Plan Actuarial Valuation as at December 31, 2021

This addendum has been prepared in conjuction with the December 31, 2021 actuarial valuation of the Hydro One Pension Plan ("HOPP") and presents the results of the asset transfer actuarial valuation of the plan as at January 1, 2022 in connection with the application to transfer all defined benefit assets and liabilities of the Inergi LP Pension Plan ("Inergi Plan"), Registration Number 1079714. This addendum refers to the body and Appendices sections of the December 31, 2021 actuarial valuation report of the HOPP as the "Funding Report".

The principal purpose of this addendum is to provide the information outlined under Ontario Regulation 310/13 required to obtain the FSRA CEO's consent to transfer the assets and liabilities of the Inergi Plan to the HOPP.

This addendum was prepared on the premise that the minimum funding requirement of the HOPP will be determined as outlined in the Funding Report until the transfer of assets and liabilities contemplated in this addendum occurs or until December 31, 2024, if earlier. Once the asset transfer from the Inergi Plan has occurred, the minimum funding requirement will be determined as per the information outlined in this addendum.

Background Information

Hydro One and Inergi LP agreed to transfer the employment of certain Inergi LP employees (Transferred Employees) to Hydro One Networks Inc. The employees who transferred relate to the information technology operations, Finance and Accounting, Payroll, source to pay, settlements and certain Shared Services functions. The Transferred Employees who were participants in the Inergi LP Pension Plan (Inergi Plan) became participants in the HOPP upon transfer to Hydro One Networks Inc. The final transfer of employees occurred on January 1, 2022. Hydro One and Inergi LP have agreed that benefits for service accrued under the Inergi Plan would be transferred to the HOPP, along with benefits in respect of all current retirees, beneficiaries and deferred vested members under the Inergi Plan as defined in the Pension Transfer Agreement, dated January 14, 2022. Subject to all necessary regulatory approvals, the assets and liabilities of the Inergi Plan will transfer to the HOPP. The final values of assets and liabilities of the Inergi Plan to be transferred to the HOPP will be determined at the date of transfer and will be reflected in a future report once the assets of the Inergi Plan are transferred into the HOPP (not expected until at least 2023).

Methods and Assumptions

A summary of the methods and assumptions used to develop the amounts herein, can be found in Appendices C and D of the Funding Report. Updates were made to the discount rates used to develop the solvency and windup liabilities assumed to be settled by commuted value transfer to reflect the January 2022 Canadian Institute of Actuaries commutation basis. The updates made to the discount rate assumptions are as follows:

- Commuted value transfer (non-indexed): 2.30% for 10 years, 3.40% thereafter
- Commuted value transfer (fully-indexed): 0.80% for 10 years, 1.20% thereafter
- Commuted value transfer (partially-indexed): 1.20% for 10 years, 1.70% thereafter

Assets

Information relating to the HOPP assets can be found in Appendix B of the Funding Report. Information relating to the assets for the Inergi Plan, and included in this addendum, was provided by AON on May 18, 2022. The target asset mix of the Inergi Plan is 20% equities, 5% global fixed income and 75% other liability hedging assets.

Membership Data

The Inergi Plan membership data were supplied by Inergi's third-party administrator, AON as at January 1, 2022. A summary of the Inergi Plan data can be found in Section 4 of this addendum. We have relied on this data as being accurate and complete and have not conducted a review of the data provided.

Plan Provisions

A summary of the plan provisions can be found in Appendix F of the Funding Report. We note that there is a section at the end of Appendix F which contains special considerations with respect to the Transferred Employees.

Actuarial Opinion

The actuarial opinion included in section 4 of the Funding Report also applies to this addendum.

Section 1: Going Concern Financial Position

Statement of Financial Position

	January 1, 2022		
	HOPP (Pre Transfer)	**Inergi Plan**	**HOPP (Post Transfer)**
Going Concern Value of Assets[1]	$ 8,286,504,000	$ 416,782,700	$ 8,703,286,700
Actuarial Liability			
Active members	$ 1,794,836,535	$ 116,130,573	$ 1,910,967,108
Retired members and beneficiaries	4,506,439,642	159,271,870	4,665,711,512
Terminated vested members	41,488,026[2]	8,024,864	49,512,890[2]
Total actuarial liability	$ 6,342,764,203	$ 283,427,307	$ 6,626,191,510
Actuarial Surplus (Unfunded Actuarial Liability)	$ 1,943,739,797	$ 133,355,393	$ 2,077,095,190
Prior Year Credit Balance	(12,000,000)	0	(12,000,000)
Actuarial Surplus (Unfunded Actuarial Liability) After Prior Year Credit Balance	$ 1,931,739,797	$ 133,355,393	$ 2,065,095,190
Funded Ratio[3]	130%	147%	131%
Provision for Adverse Deviation (PfAD)	$ 684,466,266	$ 29,774,179	$ 714,240,445
Actuarial Surplus (Unfunded Actuarial Liability) After Prior Year Credit Balance and PfAD	$ 1,247,273,531	$ 103,581,214	$ 1,350,854,745

Notes:

[1] Reflects going concern value of assets for HOPP and market value of assets for Inergi Plan. The market value of assets for the Inergi Plan was provided by AON. Once the transfer is approved by FSRA, the assets of the Inergi Plan will be transferred to the HOPP. The assets to be transferred are the January 1, 2022 asset values quoted herein, adjusted for actual investment returns, fees, contributions and benefit payments from January 1, 2022 to the date of the transfer.

[2] Includes $1,015,012 and $652,967 in respect of outstanding commuted values from the former Vertex plan and retroactive payments, respectively .

[3] After reflecting prior year credit balance.

Comment:

- The prior year credit balance is employer contributions made prior to the actuarial valuation date that are in excess of the minimum required and are set aside as a reserve for application towards future contribution requirements.
- The plans provides for indexation (escalated adjustments, as defined in the Pension Legislation). The actuarial liabilities (shown above) for the Inergi Plan and HOPP (post transfer) include $56,372,509 and $1,174,203,386, respectively in respect of indexation. The actuarial liability in respect of indexation has not been included in determining the PfAD.

Section 2: Solvency and Hypothetical Windup Financial Position

Statement of Solvency and Hypothetical Windup Financial Position

	January 1, 2022		
	HOPP (Pre Transfer)	**Inergi Plan**	**HOPP (Post Transfer)**
Solvency Value of Assets			
Market value of assets[1]	$ 8,644,382,000	$ 416,782,700	$ 9,061,164,700
Provision for plan windup expenses	(7,000,000)	N/A	(7,000,000)
Total	$ 8,637,382,000	416,782,700	9,054,164,700
Solvency Liability			
Active members	$ 2,300,357,150	$ 158,619,616	$ 2,458,976,766
Retired members and beneficiaries	5,001,075,421	178,291,506	5,179,366,927
Terminated vested members	52,402,078[1]	9,854,979	62,257,057[1]
Total	$ 7,353,834,649	$ 346,766,101	$ 7,700,600,750
Solvency Surplus (Unfunded Solvency Liability)	$ 1,283,547,351	$ 70,016,599	$ 1,353,563,950
Prior year credit balance	$ 12,000,000	$ 0	$ 12,000,000
Solvency Ratio	117%	120%	118%
Value of excluded benefits	$ 4,232,502,586	$ 223,633,257	$ 4,456,135,843
Total hypothetical windup liability	$ 11,586,337,235	$ 570,399,358	$ 12,156,736,593
Hypothetical Windup Surplus (Unfunded Hypothetical Windup Liability)	(2,948,955,235)	(153,616,658)	(3,102,571,893)
Lesser of estimated employer contributions for the period until the next actuarial valuation and the prior year credit balance	$ 12,000,000	$ 0	$ 12,000,000
Transfer ratio	75%	73%	74%
PBGF Information			
Ontario PBGF liability	$ 7,353,834,649	$ 346,766,101	$ 7,700,600,750
Ontario asset ratio	100%	100%	100%
Ontario portion of the fund	8,644,382,000	416,782,700	9,061,164,700
PBGF assessment base	0	0	0
Ontario additional PBGF liability	$ 0	$ 0	$ 0

Notes

[1] The market value of assets for the Inergi Plan was provided by AON. Once the transfer is approved by FSRA, the assets of the Inergi Plan will be transferred to the HOPP. The assets to be transferred are the January 1, 2022 asset values quoted herein, adjusted for actual investment returns, fees, contributions and benefit payments from January 1, 2022 to the date of the transfer.

Comments:

- The solvency actuarial valuation results presented in this report are determined under a scenario where, following a plan windup, the employer continues its operations.
- The hypothetical windup valuation results presented in this report are determined under a scenario where, following a plan windup, the employer continues its operations.

Determination of the Statutory Solvency Excess (Deficiency)

In calculating the statutory solvency excess (statutory solvency deficiency), various adjustments can be made to the solvency financial position.

	January 1, 2022 (Pre transfer)	January 1, 2022 (Post transfer)
Solvency surplus (unfunded solvency liability)	$ 1,283,547,351	$ 1,353,563,950
Adjustments to solvency position:		
■ Present value of existing amortization payments	$ 0	$ 0
■ Smoothing of asset value	(357,878,000)	(357,878,000)
■ Adjustment to reflect reduced solvency deficiency[1]	1,096,291,305	1,147,907,894
■ Averaging of liability discount rate	45,225,949	47,881,454
■ Prior year credit balance	(12,000,000)	(12,000,000)
■ Total	$ 771,639,254	$ 825,911,348
Solvency excess (reduced solvency deficiency)	$ 2,055,186,605	$ 2,179,475,298

Note:

[1] Equal to 15% of the smoothed solvency liability.

Section 3: Contributions (Post Transfer)

Estimated Minimum Employer Contribution (Ensuing Years)

There is no change to the contributions as a result of the asset transfer as the normal cost contributions shown in the December 31, 2021 actuarial valuation report includes the Inergi Plan member entitlements for service on and after January 1, 2022. Furthermore the HOPP remains in a going concern surplus and a solvency excess as of January 1, 2022 and therefore there are no amortization payments required. See section 3.1 of the Funding Report for additional details on the estimated minimum contribution requirements.

Estimated Maximum Employer Contribution (Ensuing Year)

		January 1, 2022
Employer Normal Actuarial Cost	$	87,252,664
Greater of the Unfunded Actuarial Liability and the Unfunded Hypothetical Windup Liability		3,102,571,893
Estimated Maximum Employer Contribution	$	3,189,824,557

Contribution to Facilitate the Asset Transfer

In accordance with Section 80 of the *Ontario Pension Benefits Act* and Regulation thereto, the transfer of assets from the Inergi Plan to the HOPP will be authorized if at least one of the following conditions is satisfied:

- The solvency ratio of the HOPP (Post Transfer) (i.e. the “Successor Plan” under the Ontario Pension and Benefits Act) is at least 85%, or
- The solvency ratio of the HOPP (Post Transfer) is not more than 5% below the solvency ratio of the Inergi Plan and the HOPP (Pre Transfer), before the asset transfer.

As per information disclosed under Section 2 of this addendum, the solvency ratio of the HOPP (Post Transfer) is more than 85% and therefore no additional contribution is required in order to facilitate the asset transfer.

Section 4: Membership Data (Inergi Plan)

Active and disabled members		
■ Number		247
■ Average age		52.3
■ Average service		15.7
■ Annual payroll	$	30,216,362
■ Average salary	$	122,333
Retired members and beneficiaries[1]		
■ Number		215
■ Average age		67.2
■ Total annual pension	$	9,948,283
■ Average annual pension	$	46,271
■ Total temporary annual pension	$	716,110
Terminated Vested Members[2]		
■ Number		52
■ Average age		53.2
■ Total annual pension	$	653,471
■ Average annual pension	$	13,614

Note:

[1] One ex-spouse is included as an individual record.

[2] Includes 4 members who are entitled to a refund of employee contributions only and 2 members who deceased prior to retirement and have payments pending.

Actuarial Information Summary

See the instructions for completing this form. If an item does not apply, enter N/A.

Part I – Plan Information and Contributions

A. 001. Name of registered pension plan
Hydro One Pension Plan

B. 002. Registration number
Canada Revenue Agency: 1059104 Other:

C. 003. Is this plan a designated plan?	D. 004. Valuation date of report	E. 005. End date of period covered by report
☐ Yes ☑ No	Year Month Day: 2021 12 31	Year Month Day: 2024 12 30

F. 006. Purpose of the report (indicate all reasons for which the report was prepared)

☐ Initial report for a newly established plan ☑ Regular (triennial or annual) report for an ongoing plan ☐ Interim report in respect of an amendment to an ongoing plan ☐ Partial termination

☐ Termination ☐ Conversion ☐ Other (explain)

G. Contributions (prior to application of any credits or surplus) for covered period

Periods (see instructions)	Period 1	Period 2	Period 3	Period 4
007. Period start date (YYYY-MM-DD)	2022-01-01	2023-01-01	2024-01-01	
008. Period end date (YYYY-MM-DD)	2022-12-31	2023-12-31	2024-12-30	
Normal cost (defined benefit provision) **009.** Members	60,575,435	59,801,804	58,912,690	
010. Employer	87,252,664	86,157,738	84,467,874	
010a. Explicit expense allowance included in employer normal cost above				
Normal cost (money purchase provision) **011.** Members				
012. Employer				
Special payments Special payments for going-concern unfunded liability and solvency deficiency **013.** Employer	0	0	0	
013a. Members	0	0	0	
Fixed contributions **014.** Estimated dollar amounts of fixed employer and, if applicable, member contributions (defined benefit provision)				
014a. Estimated dollar amounts of fixed employer and, if applicable, member contributions (money purchase provision)				

Part II – Membership and Actuarial Information

H. Membership information	Number	Average age	Average pensionable service	Average salary	Average annual pension
015. Active members	6,032	43.90	11.60	112,096	N/A
016. Retired members	7,573	74.50	**N/A**	**N/A**	44,291
017. Other participants	327	52.90	**N/A**	**N/A**	11,193

I. Actuarial basis for going-concern valuation (see instructions)

020. Asset valuation method

☐ Market ☑ Smoothed Market ☐ Book ☐ Book and Market combination ☐ Other (specify)

021. Liability valuation method

☑ Accrued benefit (unit credit) ☐ Entry age normal ☐ Individual level premium ☐ Aggregate ☐ Attained Age

☐ Other (specify)

I. Actuarial basis for going-concern valuation (continued)

Selected actuarial assumptions

Where a flat rate is used, enter the rate under Ultimate rate and N/A under Initial rate and Number of years.

Valuation interest rate	Initial rate (%)	Number of years	Ultimate rate (%)
025. Active members	N/A	N/A	5.80
026. Retired members	N/A	N/A	5.80
027. Rate of indexation	N/A	N/A	2.00
028. Rate of general wage and salary increase	N/A	N/A	N/A
029. YMPE escalation rate	N/A	N/A	3.00
030. Income Tax Regulations' maximum pension limit escalation	N/A	N/A	3.00
031. Rate of CPI increase	N/A	N/A	2.00

032. Components of going-concern valuation interest rate on line **025** and/or **026**

a) Expected investment return on plan assets, excluding additional return from active investment management ..... 5.91 %

b) Expected additional return from active investment management ..... 0.00 %

c) Expected expenses paid from the fund for active investment management ..... 0.00 %

d) Expected investment expenses other than those reported on line **032 (c)** ..... -0.04 %

e) Other expected expenses including administrative expenses ..... -0.07 %

f) Effect of rebalancing and diversification, if any ..... 0.00 %

g) Margins for adverse deviations ..... 0.00 %

h) Other components ..... 0.00 %

i) Net going concern valuation interest rate ..... 5.80 %

035. Year Income Tax Regulations' maximum pension limit escalation commences 2023

036. Mortality table

☐ 1994 GAM Static ☐ 1994 Group Annuity Reserving (GAR) ☐ 1994 UP ☐ 80% of 1983 GAM ☐ CPM2014

☐ CPM2014Publ ☑ CPM2014Priv ☐ Other (specify) _____

036a. Improvement scale

Has a projection of mortality improvement been made? ..... ☑ Yes ☐ No

i) Has an assumption of generational mortality improvements been made? ..... ☑ Yes ☐ No

ii) If applicable, what is the year in which the mortality improvements have been projected? .....

iii) Which scale have you used?

☐ Scale AA ☑ Scale CPM-B ☐ Scale CPM-B1D2014 ☐ Other (specify) _____

036b. Adjustment to the mortality table

i) Has an adjustment to the mortality table been made? ..... ☑ Yes ☐ No

ii) If **yes**, which percentage did you apply to ..... Male 0.90 Female 0.90

037. Allowance for promotion, seniority, and merit increases

☐ Included in (line **028**) above ☑ Separate scale based on age or service ☐ No allowance

038. Allowance for expenses

038a. Allowance for investment expenses

☑ Implicit ☐ Explicit ☐ Both explicit and implicit

038b. Allowance for administrative expenses

☑ Implicit ☐ Explicit ☐ Both explicit and implicit

039. If a multi-employer plan, number of hours of work per member per plan year .....

040. Was a withdrawal scale used? ..... ☑ Yes ☐ No

041. Were variable retirement rates used? ..... ☑ Yes ☐ No

042. If **no**, what is the assumed retirement age? .....

J. Actuarial basis for solvency valuation

Valuation interest rate	Initial rate (%)	Select period	Ultimate rate (%)
045. Benefits to be settled by lump sum transfer	2.30	10	3.40
046. Benefits to be settled by purchase of deferred annuity	N/A	N/A	2.76
047. Benefits to be settled by purchase of immediate annuity	N/A	N/A	2.76
048. Rate of indexation	N/A	N/A	N/A

049. Mortality table

Lump sum: ☐ 1994 UP Generational ☐ CPM2014Priv ☑ CPM2014 ☐ CPM2014Publ ☐ Other (specify) _____

Annuity Purchase: ☐ 1994 UP Generational ☐ CPM2014Priv ☐ CPM2014 ☐ CPM2014Publ ☑ Other (specify) 90% CPM2014Priv

049a. Improvement scale used

Lump sum: ☐ Scale AA ☑ Scale CPM-B ☐ Scale CPM-B1D2014 ☐ Other (specify) _____ ☐ None

Annuity Purchase: ☐ Scale AA ☑ Scale CPM-B ☐ Scale CPM-B1D2014 ☐ Other (specify) _____ ☐ None

K. Balance sheet information (DB provisions, see instructions)

050. Market value of assets, adjusted for receivables and payables	8,644,382,000
051. Amount of contributions receivable included in market value above	0
Going-concern valuation	
052. Going-concern assets	8,286,504,000
053. Optional ancillary contributions account balance included in going-concern assets above for a flexible pension plan (if applicable)	0
Going-concern liabilities	
060. For active members	1,794,836,535
061. For retired members	4,506,439,642
062. For other participants	41,488,026
063. For optional ancillary benefits to be provided under a flexible pension plan (if applicable)	0
064. Reserves	
064a. Expenses	0
064b. Ad-hoc indexing	0
064c. Provision for adverse deviation	684,466,266
064d. Other (Specify) _____	
070. Net funded position—surplus/deficit	1,259,273,531
071. Additional voluntary contributions	0
072. Money purchase assets (if applicable)	0

Solvency valuation

Complete lines **080** to **100** only if the report contains an explicit solvency valuation

Solvency assets	
080. Solvency assets with adjustment for expense provision, if any	8,637,382,000
081. Amount of wind-up expense provision reflected in line **080**	7,000,000
082. Optional ancillary contributions account balance included in solvency assets above for a flexible pension plan (if applicable)	
Solvency liabilities	
090. For active members	2,255,543,441
091. For retired members	5,001,075,421
092. For other participants	51,345,729
093. For optional ancillary benefits to be provided under a flexible pension plan (if applicable)	0
094. Reserves	
094a. Expenses	0
094b. Other (Specify) _____	
100. Net solvency position—surplus/deficit	1,329,417,409
101. Incremental cost	889,051,783

If the plan provides benefit increases coming into effect during the period covered by the report but after the valuation date, have those increases been reflected in:

102. The going-concern liabilities in lines **060** to **064**? ☐ Yes ☐ No ☑ N/A

103. The solvency liabilities in lines **090** to **094**? ☐ Yes ☐ No ☑ N/A

Discount rate sensitivity

	Change in percentage using discount rate 1% lower	Change in amount using discount rate 1% lower	Change in amount using discount rate 1% higher
104. Going-concern liabilities	14.80	936,003,099	
105. Normal cost	30.70	41,149,956	
106. Solvency liabilities	15.00	1,093,437,296	

107. Duration of the portion of the liabilities assumed to be settled through the purchase of annuities 12.10

L. Actuarial gains or losses

110. Was a gain/loss analysis done? ☑ Yes ☐ No

111. If line **110** is **yes**, indicate the date of the last filed funding valuation report and the net funded position as of that date (Year 2018, Month 12, Day 31) 1,424,871,456

If line **110** is **yes**, indicate amount of gain or loss due to:

112. interest on surplus (unfunded liability)	272,173,246
113. special payments made	0
114. amount used for contribution holiday	0
115. change in actuarial assumptions	(184,990,636)
116. change in the asset valuation method	0
117. change in liability valuation method	0
118. plan amendments/changes	0
119. investment experience	439,706,776
120. retirement experience	19,346,990
121. mortality experience	(39,556,803)
122. withdrawal experience	(21,406,578)
123. salary increase experience	30,074,905
124. optional ancillary contributions forfeited	

Are there major contributing sources other than lines **112** to **124** above (if **yes**, specify)

125.	Provision for Adverse Deviation	(684,466,266)
126.	Application of prior year credit balance	(39,288,125)
127.	all other sources (combined)	42,808,566

M. Subsequent events

135. Are there any subsequent event(s) that have not been reflected in the valuation? (refer to SOP) ☐ Yes ☑ No

N. Statements of opinion

136. Does the report include the statements of opinion required by the SOP (data, assumptions, methods, accepted actuarial practice)? ☑ Yes ☐ No

136a. Are any of the actuary's statements of opinion qualified? ☐ Yes ☑ No

Financial Services Commission of Ontario | Commission des services financiers de l'Ontario

Part III – Information required by the Financial Services Commission of Ontario

O. Additional valuation information

For purposes of Part III, the Regulation refers to the Regulation 909, R.R.O. 1990, as amended except as otherwise provided.

Going-concern valuation

137. Are benefits under the pension plan provided by an annuity purchase? ☐ Yes ☑ No

138. If line **137** is **yes**,

a) Enter the total asset value of the buy-in annuities as reported in the actuarial valuation report

b) Enter the total liabilities related to the buy-in annuities as reported in the actuarial valuation report

c) Enter the total asset value of the non-discharged buy-out annuities as reported in the actuarial valuation report

d) Enter the total liabilities related to the non-discharged buy-out annuities as reported in the actuarial valuation report

e) Have any annuities been discharged under OPBA section 43.1 since last valuation date? ☐ Yes ☐ No

If yes,

i) How many annuity discharge transactions have been made since the last valuation date?

ii) Enter the total premium of the buy-out annuities if the purchase was made since the last valuation date

iii) Enter the going-concern liabilities related to the annuity discharge at the time of purchase.

iv) Enter the top-up contributions required as per section 4 of Ontario Regulation 193/18.

139.1. Is the plan required to report the amount of Available Actuarial Surplus? ☑ Yes ☐ No

i) If **yes**, enter the amount of Available Actuarial Surplus 0

139.2. Breakdown of the total special payyments with respect to the going-concern unfunded liability and plan amendment

Special payments with respect to:	Period 1	Period 2	Period 3	Period 4	Present value of the special payments on the going-concern basis
Going-concern unfunded liability **139.2a** Members	0	0	0		0
139.2b Employer	0	0	0		0
Plan amendment **139.2c** Members	0	0	0		0
139.2d Employer	0	0	0		0

Provision for Adverse Deviations

139.3. Is the Provision for Adverse Deviations of the plan zero or deemed to be zero? ☐ Yes ☑ No

If **no**, complete lines **139.4** to **139.9**

139.4. Is the plan closed as determined in subsection 11.2(2) component A of the Regulation? ☐ Yes ☑ No

139.5 Combined target asset allocation for fixed income assets as determined in subsection 11.2(4) component J of the Regulation 47.50 %

139.6 Plan's duration of going-concern liabilities in subsection 11.2(5) of the Regulation 14.76

139.7 Total Provision for Adverse Deviation (%) 13.10 %

139.8 Amount of Provision for Adverse Deviation included normal cost (line **9**, **10** and **10a**) 4,006,928.00

139.9. a) Does the plan provide future escalated adjustments? ☑ Yes ☐ No

If **139.9(a)** is **yes,**

b) Are the future costs of escalated adjustments included in the calculation of the Provision for Adverse Deviation amounts on lines **064c** and **139.8**? ☐ Yes ☑ No

If **139.9(b)** is **no,**

c) Enter the going-concern liability related to the future escalated adjustments ,117,830,877

d) Enter the normal cost related t o the future escalated adjustments 26,920,146

Solvency valuation

140.1 If line **137** is **yes**,

a) Enter the total asset value of the buy-in annuities as reported in the actuarial valuation report .....

b) Enter the total liabilities related to the buy-in annuities as reported in the actuarial valuation report .....

c) Enter the total asset value of the non-discharged buy-out annuities as reported in the actuarial valuation report .....

d) Enter the total liabilities related to the non-discharged buy-out annuities as reported in the actuarial valuation report .....

e) If line **138(e)** is **yes**,
i) Enter the solvency liabilities related to the discharge at the time of purchase.....

140.2. Enter the total value of any reduced solvency deficiency payments (or solvency deficiency payments if applicable) that are guaranteed by letter(s) of credit.....

	Year	Month	Day
140.3 Enter the expiry date of the letter of credit, if any			

140.4 Solvency asset adjustment	-357,878,000
140.5 Solvency liability adjustment.....	8,829,857
140.6 Reduced solvency deficiency.....	1,094,870,210
140.7 Solvency ratio as per the Regulation (express in decimal format)	1.1800

140.8 Components of the solvency special payments on lines **013** and **013a**

Special payments with respect to reduced solvency deficiency	Period 1	Period 2	Period 3	Period 4	Present value of the special payments on the solvency basis
140.8a Members	0	0	0		0
140.8b Employer	0	0	0		0

141. Have any of the excludable benefits been excluded?..... ☑ Yes ☐ No ☐ N/A

142. If line **141** is **yes**, enter the total amount of liabilities being excluded 4,210,501,690

144. (i) Has an averaging method been applied to the market value of assets in determining the solvency asset adjustment?..... ☑ Yes ☐ No

a) If **yes**, indicate the positive or negative amount by which the solvency assets are adjusted as a result of applying the averaging method..... (357,878,000)

(ii) Has the averaging method used in determining the solvency asset adjustment changed since the last valuation? ☐ Yes ☑ No

If **yes**, complete **(ii)a** or **(ii)b**, as appropriate:

a) The change in method increases the solvency asset adjustment by the amount of.....

b) The change in method decreases the solvency asset adjustment by the amount of .....

P. Miscellaneous

145. Prior year credit balance.....	12,000,000
146. Transfer ratio (express in decimal format).....	0.7500

Guarantee fund assessment

147. PBGF liabilities	7,307,964,591
148. PBGF assessment base.....	0
149. Amount of additional liability for plant closure and/or permanent layoff benefits as described in E of subsection 37(4) of the Regulation	0
149a. Number of Ontario plan beneficiaries.....	13,932

Part IV – Information required by the Canada Revenue Agency

R. Additional information

173. Surplus/deficit determined at the valuation date as per the instructions:

173a. Going-concern basis	1,247,273,531
173b. Wind-up basis	-2,881,084281
173c. For designated plans, maximum funding valuation basis	

174. Excess surplus determined at the valuation date:

174a. Going-concern basis	
174b. For designated plans, maximum funding valuation basis	

175. For designated plans, employer normal cost determined under the maximum funding valuation basis:

Period 1	
Period 2	
Period 3	
Period 4	

176. Minimum surplus required under applicable pension benefit legislation before contribution holiday:

176a. Going-concern basis	
176b. Wind-up basis	

177. Maximum amount that could be claimed as eligible employer contribution(s) – defined benefit provisions – under subsection 147.2(2) of the Income Tax Act:

177a. Unfunded liability	2,881,084,281
177b. Normal cost:	
Period 1	87,252,664
Period 2	86,157,738
Period 3	84,467,874
Period 4	

178. Do you have any employees contributing over the limit stipulated under paragraph 8503(4) of the Income Tax Regulations? ☑ Yes ☐ No

Part V – Information required by Retraite Québec

S. Additional Information

185. Date on which the valuation report was prepared ..... _____

186. Value of additional liabilities arising from an improvement on a funding basis ..... _____

187. Value of additional liabilities arising from an improvement on a solvency basis ..... _____

188. Surplus assets that can be allocated to fund contributions ..... _____

189. Special payments ..... _____

190. Total of the letters of credit taken into account in the assets on a funding basis ..... _____

191. Insured annuities from an insurer taken into account in the actuarial valuation on a solvency basis ..... _____

T. Additional information for plans whose employer is a municipality, a municipal housing bureau, or an educational institution at the university level

For service prior to the establishment of the stabilization fund

192. Reserve on a funding basis ..... _____

	Present value	Amortization payments			
		Period 1	Period 2	Period 3	Period 4
193. Deficiency attributable to the employer					
194. Funding deficiency					
194a. Payable by the members					
194b. Payable by the employer					

For service following the establishment of the stabilization fund

195. Stabilization fund value ..... _____

	Stabilization contributions			
	Period 1	Period 2	Period 3	Period 4
196. Members				
197. Employer				

	Present value	Amortization payments			
		Period 1	Period 2	Period 3	Period 4
198. Technical funding deficiency					
198a. Payable by the members					
198b. Payable by the employer					

U. Additional information for pension plans other than those mentioned in Section T, and for which solvency funding does not apply.

199. Target level (as a percentage) of the required stabilization provision ..... _____

	Current service stabilization contributions			
	Period 1	**Period 2**	**Period 3**	**Period 4**
200. Members				
201. Employer				

	Present Value	**Amortization payments**			
		Period 1	**Period 2**	**Period 3**	**Period 4**
202. Technical funding deficiency					
202a. Payable by the members					
202b. Payable by the employer					
203. Stabilization funding deficiency					
203a. Payable by the members					
203b. Payable by the employer					
204. Improvement funding deficiency					
204a. Payable by the members					
204b. Payable by the employer					

Part VI – Certification by Actuary

As the actuary who signed the funding valuation report (the report), I certify that this completed form accurately reflects the information provided in the report.

Dated this 26 (day) day of September (month), 2022 (year)

Signature of actuary

Suzanne Jacques

Print or type name of actuary

Towers Watson Canada Inc.

Name of firm

(416)960-7460

Telephone

suzanne.jacques@willistowerswatson.com

Email*

*** Optional information. The Canada Revenue Agency will not communicate on plan specific matters with clients by email, since we cannot guarantee the confidentiality of emailed information.**

Personal information is collected under the authority of section 147.2 of the Income Tax Act and is used for the administration of a registered pension plan. It may also be used for any purpose related to the administration or enforcement of the Act such as audit and compliance. Information may also be shared or verified under information-sharing agreements to the extent authorized by law. Under the Privacy Act, individuals have the right to access their personal information and request correction if there are errors or omissions. Refer to Info Source **canada.ca/cra-info-source**, Personal Information Bank CRA PPU 226.

Willis Towers Watson

February 26, 2021

Our Ref: 601835/3140218

Hydro One Inc.
483 Bay Street, South Tower
Toronto, Ontario M5G 2P5

REVISED HYDRO ONE INC. ("HYDRO ONE") PROJECTED 2021 – 2027 BENEFIT COST UNDER FASB ASC 715-20-50

As requested, we have prepared the projected benefit cost for 2021 to 2027 under FASB Accounting Standards Codification Topic 715-20-50 ("US GAAP") for the following pension and benefits plans sponsored by Hydro One. *As instructed by Hydro One, note that the Hydro One PRB projections have been revised to remove certain retirees that were not entitled to medical and dental benefits*:

- Hydro One Pension Plan (the "RPP");
- Hydro One Defined Contribution Plan (the "DCPP");
- Hydro One Supplementary Pension Plan (the "SPS/DSPS");
- Hydro One Supplemental Defined Contribution Plan (the "Notional DCPP");
- Hydro One Non-Pension Post Retirement Benefits (the "Hydro One PRB" and the "Inergi PRB"); and
- Hydro One Post-Employment Benefits (the "PEB").

It is intended that this letter is read in conjunction with our December 31, 2020 year-end disclosure reports (the "2020 Year-end Reports") for all benefit plans listed above.

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Towers Watson Canada Inc.

Key Results - Projected Benefit Cost ($millions)

Based on the assumptions and approaches set out later in this letter, the projected benefit cost for the various arrangements are as follows:

	2021	2022	2023	2024	2025	2026	2027
RPP	$193.9	$187.2	$180.0	$172.3	$158.7	$149.0	$142.8
SPS/DSPS	$7.8	$7.4	$7.2	$7.0	$6.7	$6.5	$6.3
DCPP	$3.2	$3.7	$4.2	$4.5	$4.8	$5.2	$5.5
Notional DCPP	$0.2	$0.2	$0.2	$0.3	$0.3	$0.3	$0.3
Hydro One PRB	$94.6	$102.7	$107.9	$112.6	$117.3	$122.2	$126.9
Inergi PRB	$0.5	$0.5	$0.5	$0.5	$0.5	$0.5	$0.5
PEB	$21.9	$22.8	$23.5	$24.1	$24.9	$25.7	$26.4
Total	**$322.1**	**$324.5**	**$323.5**	**$321.3**	**$313.2**	**$309.4**	**$308.7**

Detailed schedules providing the development of the benefit cost by year for each plan, other than for the DCPP, can be found in the enclosed Appendices. As requested, we have also included the allocation of projected benefit costs to the active and inactive members of the plans (other than for the DCPP and Notional DCPP) and an allocation of the projected benefit costs in respect of the Inergi and Non-Inergi obligations of the PRB plan. Appendices A and B provide projection details as follows:

- Appendix A – Projections for RPP, SPS/DSPS and Notional DCPP; and
- Appendix B – Projections for Hydro One PRB, Inergi PRB, and PEB.

Assumptions

All assumptions remain unchanged when compared to the assumptions used in the 2020 Year-end Reports, with the exception of an assumption of new entrants disclosed in this letter. A summary of the assumptions can be found in Appendix C.

Discount Rate Sensitivity – Projected Benefit Cost ($millions)

The projected benefit cost each year as a result of a 0.5% decrease in the accounting discount rates for the projection period are as follows (no other assumptions are assumed to change):

	2022	2023	2024	2025	2026	2027
RPP	$286.5	$276.4	$265.6	$248.0	$235.1	$226.5
SPS/DSPS	$7.8	$7.5	$7.3	$6.9	$6.7	$6.5
DCPP	$3.7	$4.2	$4.5	$4.8	$5.2	$5.5
Notional DCPP	$0.2	$0.2	$0.3	$0.3	$0.3	$0.3
Hydro One PRB	$111.4	$116.6	$121.1	$125.8	$130.9	$135.9
Inergi PRB	$0.6	$0.6	$0.6	$0.6	$0.6	$0.6
PEB	$23.1	$23.8	$24.4	$25.1	$25.9	$26.6
Total	**$433.3**	**$429.3**	**$423.8**	**$411.5**	**$404.7**	**$401.9**

Membership Data

Summaries of data upon which these projections were based can be found in the following documents:

RPP:	Hydro One Pension Plan actuarial valuation report as at December 31, 2018 dated September 19, 2019 (the “Funding Report”) and the the Addendum to the Funding Report;
SPS/DSPS:	Hydro One Supplementary Pension Plan December 31, 2019 actuarial report dated September 2020 (the “LOC Report”);
DCPP and Notional DCPP:	Provided by Hydro One on January 6, 2021 and February 3, 2021;
Hydro One PRB and Inergi PRB:	Presentation to Hydro One dated February 2021 with respect to valuation results as at January 1, 2020 (the “PRB Presentation”); and
PEB	Presentation to Hydro One dated February 2021 with respect to valuation results as at December 31, 2020 (the “PEB Presentation”).

In addition, information regarding new entrant assumptions can be found under the Methodology section of this letter.

Plan Provisions

Summaries of the provisions for the different plans other than the DCPP and Notional DCPP, can be found in the Funding Report, LOC Report, PRB Presentation and the PEB Presentation.

DCPP

For Management employees hired on or after September 30, 2015, they are no longer entitled to the DB plan and they accrue benefits on a Defined Contribution (DC) basis. Members may elect to contribute 4%, 5% or 6% of pensionable earnings. Hydro One matches 100% of member contributions. The estimated annual pension expense for the DCPP is equal to the estimated annual contributions to the plan based on the profile of existing and new management employees (see Methodology section below) and assuming all members contribute 6% of pensionable earnings.

It was assumed that members of the DCPP will continue to be eligible for the Hydro One PRB Plan, with the provisions in place as of the date of this letter.

Notional DCPP

The Notional DCPP provides for Company contributions in excess of the Income Tax Act limit for members who participate in the DCPP. These notional contributions are allocated to the respective members and they accrue with deemed investment returns on a periodic basis.

Methodology

Funding Contributions - RPP

Hydro One funding contributions until December 31, 2021 are assumed to be equal to estimated normal cost outlined in the Funding Report, adjusted for expected future new entrants. From January 1, 2022 to December 31, 2027, Hydro One funding contributions are assumed to be equal to the estimated normal cost extrapolated from the results in the Funding Report with the following adjustments to the assumptions:

- a going concern discount rate of 4.9% p.a.;
- a decrease in the inflation, YMPE / ITA increase and indexation increase assumption of 25 bps (relative to the Funding Report);
- the salary scale used in 2020 Year-end Reports; and
- a Provision for Adverse Deviation (“PfAD”) of 7.3%; and
- expected future new entrants decribed in this letter.

The going concern discount rate and PfAD were determined based on December 31, 2020 market condtions.

Additionally, we have assumed that the exisiting prior year credit balance will be applied as follows: $12 million in each of 2021 and 2022, with the remaining applied in 2023.

We have assumed that no special funding payments would be required over the projection period. It is important to note that the minimum required contributions following the next filed actuarial valuation may be significantly different due to a number of factors, including experience gains and losses and future changes to liability measurement assumptions.

Assets

The market value of assets as at December 31, 2020 for the RPP was provided by Hydro One on January 9, 2021. The estimated market value of assets over the projection period has been extrapolated from the market value of assets as at December 31, 2020. The extrapolations are based on estimated contributions (including the use of the remaining Prior Year Credit Balance in 2021, 2022 and 2023), benefit payments in the intervening period and a return on assets assumption of 5.40% per annum.

As instructed by Hydro One, the estimated member contributions to be made to the RPP during the projection period are in accordance with the rates outlined in the Funding Report. We have not reflected future increases in employee contributions beyond those described that may come into effect in future years.

Consistent with Hydro One's actual disclosures at December 31, 2020, we have included the value of the Refundable Tax Account balance for the SPS/DSPS in our calculations. In addition, we have included the expected letter of credit fee in the expense calculations over the projection period.

Hydro One PRB, Inergi PRB and the PEB are not funded and have no assets.

Benefit Obligations and Service Cost

The projected benefit obligations and service cost over the period (December 31, 2021 to December 31, 2027) for the RPP have been estimated based on the most recent membership data as set out in the Funding Report projected to each December 31 using the assumptions set out in this letter. For PRB and PEB, the projected benefit obligations and service cost have been estimated based on the most recent membership data as set out in the PRB and PEB presentations respectively, with the adjustments which have been outlined in this letter. In addition, it was assumed that some active members terminating or retiring would be replaced by new entrants. As directed by Hydro One, we have assumed the following with respect to new entrants:

For the RPP:

	Percentage of New Entrants in Category	Average Age	Average Earnings
Power Workers Union Members	42%	30	$80,000
Society Members	58%	33	$90,000
Management Members	0%	N/A	N/A

As instructed by Hydro One, the RPP active membership in aggregate, is assumed to change at the following rates:

	2021	2022	2023	2024	2025	2026	2027
Population Change %	-1.35%	4.48%	0.43%	-0.20%	-0.34%	-0.08%	0.04%

For the DCPP and Notional DCPP:

For each year commencing January 1, 2021, new Management members are assumed to be hired externally. Each member is assumed to have average earnings of $120,000. No terminations or retirements were assumed over the projection period.

As instructed by Hydro One, the DCPP active membership in aggregate, is assumed to increase at the following rates:

	2021	2022	2023	2024	2025	2026	2027
Population Change %	41.8%	13.2%	7.1%	3.8%	4.5%	4.9%	3.2%

For the Notional DCPP no new entrants are assumed.

For the SPS/DSPS:

The projected benefit obligations and service cost over the projection period for the SPS/DSPS have been estimated based on the most recent membership data as set out in the LOC Report, projected using the demographic assumptions set out 2019 Year-end Reports.

For the PRB plan:

	Percentage of New Entrants in Category	Average Age	Average Earnings
Power Workers Union Members	14%	41	$100,000
Society Members	68%	36	$100,000
Management Members	18%	39	$117,000

For the Hydro One PRB plan and the PEB, the active membership in aggregate, is assumed to change at the following rates:

	2021	2022	2023	2024	2025	2026	2027
Population Change %	5.9%	1.0%	0.2%	-0.2%	0.2%	0.3%	-0.1%

The active membership projection of the Hydro One PRB plan and the PEB reflects the open nature of the plans to all employee groups for DB and DC groups.

The projected benefit obligations and service cost over the projection period for the Inergi PRB have been estimated based on the most recent membership data as set out in the PRB Presentation, with the adjustments which have been outlined in this letter. Given that this is a closed group, active membership will decline over time in accordance with the demographic assumptions.

Except as noted above, please refer to the 2020 Year-end Reports for additional details on methodology and accounting policies.

Allocation of Benefit Cost

Active and Inactive Split

As instructed by Hydro One, the projected benefit cost over the projection period is allocated to the active and inactive members of the plans as follows:

Current Service Cost	Allocated to active members
Interest Cost and EROA	Allocated to active and inactive members on a pro-rata basis based on plan liabilities as at the beginning of the calendar year
Amortization of net actuarial (gains)/losses	Allocated to active and inactive members on a pro-rata basis based on plan liabilities as at the beginning of the calendar year
Past service cost for RPP	Allocated to active and inactive members on a pro-rata basis based on plan liabilities as at the beginning of the calendar year
Past service cost for SPS/DSPS	Allocated to active and inactive members on a pro-rata basis based on plan liabilities as at the beginning of that calendar year with the exception of certain past service costs for SPS/DSPS that are entirely in respect of former executives and are fully allocated to the inactive membership
Past service cost for the PRB plans	Entirely allocated to active members

Notes Concerning our Calculations

There are a number of factors not reflected in this report that could potentially result in the benefit costs being different than expected including, but not limited to, changes to pension or benefit plan provisions other than those mentioned in this letter, experience revealed in any new valuation of the plans, contributions to the pension fund significantly different than expected, any significant event such as material downsizing or acquisition/divestiture, change in accounting standards or additional changes to the assumptions or methodology.

Actuarial Certification

The calculations herein have been made in accordance with US GAAP with which we are familiar. The assumptions used were selected by Hydro One management for the purpose of preparing this letter, following discussions with Willis Towers Watson, and they are in accordance with accepted actuarial practice. In our opinion, the data on which the calculations are based are sufficient and reliable for the purpose of these estimates. This letter and attachments have been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada.

The results presented in this letter have been developed using a particular set of actuarial assumptions and methods. Other results could have been developed by selecting different actuarial assumptions and methods.

The results presented in this letter are reasonable actuarial results based on actuarial assumptions reflecting our expectation of future events. The actual benefit cost levels will change in the future as a result of future changes in the actuarial methods and assumptions, the membership data, the plan provisions and the legislative rules, or as a result of future experience gains or losses, none of which has been anticipated at this time. Emerging experience, differing from the assumptions, will result in gains or losses that will be revealed in future accounting valuations.

Effects of COVID-19 on the financial markets, regulations, and experience are uncertain and still evolving. The results in the attached exhibit make no allowances for the effects of COVID-19. There may be significant effects on plan experience and/or assumptions, both demographic and economic used for future measurements.

As at the date of this letter, other than mentioned above, we are not aware of any subsequent events that would have a material impact on the results of the projected benefit cost.

The information contained in this letter was prepared for Hydro One, for its internal budgeting purposes and in conjunction with the joint rate application to the Ontario Energy Board. It is not intended for and may not be used for other purposes, and we accept no responsibility or liability in this regard.

The undersigned consultants with actuarial credentials meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. Our objectivity is not impaired by any relationship between the plan sponsor and our employer, Towers Watson Canada Inc.

Should you have any questions, please do not hesitate to contact us.

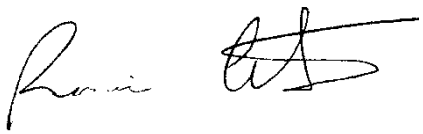
TOWERS WATSON CANADA INC.

In respect of the pension plans:

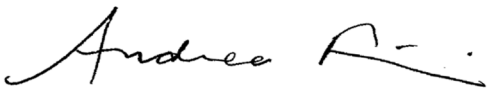
Suzanne Jacques, FCIA, FSA

Davis Gonsalves, FCIA, FSA

In respect of the post-retirement and post-employment plans:



Ross Cristiano, FCIA, FSA



Andrea Firmani, FCIA, FSA

Enclosures

cc: Samir Chhelavda, Arthur McGlashan, Kamil Baig — Hydro One Inc.
David Kenny, Tiffany Kuo, Michael Vo, Susan Liao, Anica Curcic — Willis Towers Watson

Appendix C - Statement of Assumptions (RPP and SPS/DSPS)

The rates in the following table are on a per annum basis.

Measurement Date	**December 31, 2020 (as per year-end disclosures) and End of December 31 During Projection Period (2021-2027)**
Economic Assumptions	
Discount Rates:	
• RPP	2.60%
• SPS/DSPS	2.60%
Going Concern Discount Rate for Determining Contributions – RPP only	4.90%
Provision for Adverse Deviation for Determining Contributions – RPP only	7.30%
Expected Long-term Return on Plan Assets (EROA) – RPP only [1]	5.40%
Consumer Price Index (Inflation)	1.75%
YMPE Increases	2.75%
Increase in maximum pension under the Income Tax Act	2.75%
Salary increases	Refer to Table 1 and Table 2 for details
Demographic assumptions	
Mortality	95% CPM2014 Private Table projected with Scale B
Retirement rates [2]	Table 3
Termination rates [2]	Table 4
Disability rates	Table 5
Other assumptions	
Eligible spouse at retirement	90%
Spousal age difference	Male 3 years older

Notes:

[1] Return on asset assumption is net of any expenses paid by the trust.

[2] No terminations or retirements were assumed under the DCPP. For the Notional DCPP, terminations and retirements are assumed to be 5% of the Projected Benefit Obligation the beginning of each year. In addition, we have also reflected a known payment stream remaining for one terminated member in the plan ending in 2023.

Hydro One Pension Plan **APPENDIX A.1**

Projected 2021 to 2027 Accounting Under US GAAP

Figures in $000s

		Projections						
		2021	2022	2023	2024	2025	2026	2027
A	**Change in Projected Benefit Obligation**							
	PBO at prior fiscal year end	9,763,046	9,962,794	10,177,862	10,400,320	10,631,609	10,866,447	11,109,699
	Employer service cost (BOY)	239,854	254,273	261,002	267,486	268,249	272,997	281,448
	Interest cost	256,963	262,512	268,237	274,167	280,181	286,401	292,956
	Actuarial(gains)/losses	-	-	-	-	-	-	-
	Plan Participants' contributions	57,662	60,803	62,655	64,521	66,230	68,115	70,402
	Benefits Paid	(354,731)	(362,520)	(369,436)	(374,885)	(379,822)	(384,261)	(388,010)
	Transfer from (to) other plans	-	-	-	-	-	-	-
	Curtailments	-	-	-	-	-	-	-
	Settlements	-	-	-	-	-	-	-
	Special/contractual termination benefits	-	-	-	-	-	-	-
	PBO at current fiscal year end	9,962,794	10,177,862	10,400,320	10,631,609	10,866,447	11,109,699	11,366,495
B	**Change in Plan Assets**							
	Fair value of assets at prior year end	8,078,550	8,269,850	8,502,214	8,756,619	9,024,350	9,303,601	9,597,727
	Expected return on plan assets	429,802	440,940	453,738	467,465	481,845	496,919	512,890
	Actual gains/(losses) on assets	-	-	-	-	-	-	-
	Employer contributions	58,567	93,141	107,448	110,630	110,998	113,353	118,073
	Plan Participants' contributions	57,662	60,803	62,655	64,521	66,230	68,115	70,402
	Benefits paid	(354,731)	(362,520)	(369,436)	(374,885)	(379,822)	(384,261)	(388,010)
	Transfer from (to) other plans	-	-	-	-	-	-	-
	Settlements	-	-	-	-	-	-	-
	Special/contractual termination benefits	-	-	-	-	-	-	-
	Fair value of assets at current fiscal year end	8,269,850	8,502,214	8,756,619	9,024,350	9,303,601	9,597,727	9,911,082
C	**Amount recognized in the balance sheet**							
	Present value of obligations	9,962,794	10,177,862	10,400,320	10,631,609	10,866,447	11,109,699	11,366,495
	Fair value of plan assets	8,269,850	8,502,214	8,756,619	9,024,350	9,303,601	9,597,727	9,911,082
	Surplus (deficit)	(1,692,944)	(1,675,648)	(1,643,701)	(1,607,259)	(1,562,846)	(1,511,972)	(1,455,413)
	Unrecognized past service cost (benefit)	26,986	24,569	22,152	19,735	17,318	14,901	12,484
	Unrecognized net actuarial (gains)/losses	1,742,599	1,633,687	1,531,582	1,435,858	1,346,117	1,261,985	1,183,111
	Cumulative employer contributions in excess of benefit cost	76,641	(17,392)	(89,967)	(151,666)	(199,411)	(235,086)	(259,818)
	Annual charges to OCI							
	- Net actuarial gains/(losses) incurred in year	-	-	-	-	-	-	-
	- Past service credits/(costs) incurred in year	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-
	LESS							
	- Net actuarial gains/(losses) amortized in year	(124,471)	(108,912)	(102,105)	(95,724)	(89,741)	(84,132)	(78,874)
	- Past service credits/(costs) amortized in year	(2,417)	(2,417)	(2,417)	(2,417)	(2,417)	(2,417)	(2,417)
	Sub-total	(126,888)	(111,329)	(104,522)	(98,141)	(92,158)	(86,549)	(81,291)
	Credit (charge) to OCI in year	126,888	111,329	104,522	98,141	92,158	86,549	81,291
D	**Components of Benefit Cost**							
	Employer service cost	239,854	254,273	261,002	267,486	268,249	272,997	281,448
	Interest cost	256,963	262,512	268,237	274,167	280,181	286,401	292,956
	Expected return on plan assets	(429,802)	(440,940)	(453,738)	(467,465)	(481,845)	(496,919)	(512,890)
	Net prior service (credit)/cost amortization	2,417	2,417	2,417	2,417	2,417	2,417	2,417
	Net (gains)/loss amortization	124,471	108,912	102,105	95,724	89,741	84,132	78,874
	Curtailments	-	-	-	-	-	-	-
	Settlements	-	-	-	-	-	-	-
	Special/contractual termination benefits	-	-	-	-	-	-	-
	Disclosed benefit cost	193,903	187,174	180,023	172,329	158,743	149,028	142,805
E	**Gain/loss Amortization**							
	Cumulative (gains)/losses (BOY)	1,867,070	1,742,599	1,633,687	1,531,582	1,435,858	1,346,117	1,261,985
	EARSL	15.00	16.00	16.00	16.00	16.00	16.00	16.00
	Amortization of (gains)/losses	124,471	108,912	102,105	95,724	89,741	84,132	78,874
	Prior service (credit)/cost	29,403	26,986	24,569	22,152	19,735	17,318	14,901
	Amortization of prior service (credit)/cost	2,417	2,417	2,417	2,417	2,417	2,417	2,417
F	**Reconciliation of accumulated contributions in excess of Benefit Cost**							
	Accumulated contributions in excess of Benefit Cost (BOY)	211,977	76,641	(17,392)	(89,967)	(151,666)	(199,411)	(235,086)
	Pension expense recognized in P&L in the financial year	(193,903)	(187,174)	(180,023)	(172,329)	(158,743)	(149,028)	(142,805)
	Employer contributions made in the financial year	58,567	93,141	107,448	110,630	110,998	113,353	118,073
	Benefits paid directly by company in the financial year	-	-	-	-	-	-	-
	Net transfer in/(out) (including the effect of any acquisitions/divestitures)	-	-	-	-	-	-	-
	Accumulated contributions in excess of Benefit Cost (EOY)	76,641	(17,392)	(89,967)	(151,666)	(199,411)	(235,086)	(259,818)
G	**Assumptions**							
	At beginning of period							
	Discount rate	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%
	Expected rate of return on plan assets	5.40%	5.40%	5.40%	5.40%	5.40%	5.40%	5.40%

Hydro One Inc. Supplementary Pension Plan **APPENDIX A.2**
Projected 2021 to 2027 Accounting Under US GAAP

Figures in $000s

		Projections						
		2021	2022	2023	2024	2025	2026	2027
A	**Change in Benefit Obligation**							
	PBO at prior fiscal year end	145,058	144,541	143,798	142,822	141,581	140,057	138,301
	Employer service cost	1,070	1,020	964	897	813	764	748
	Interest cost	3,730	3,713	3,691	3,661	3,625	3,582	3,534
	Actuarial(gains)/losses	-	-	-	-	-	-	-
	Plan participants' contributions	-	-	-	-	-	-	-
	Benefits Paid from the Company	(5,317)	(5,476)	(5,631)	(5,799)	(5,962)	(6,102)	(6,233)
	Transfer from (to) other plans	-	-	-	-	-	-	-
	Curtailments	-	-	-	-	-	-	-
	Settlements	-	-	-	-	-	-	-
	Special/contractual termination benefits	-	-	-	-	-	-	-
	Benefit obligation - end of period	144,541	143,798	142,822	141,581	140,057	138,301	136,350
B	**Change in Plan Assets**							
	Fair value of assets at prior fiscal year end	5,130	5,344	5,558	5,772	5,986	6,200	6,414
	Expected return on plan assets	-	-	-	-	-	-	-
	Actual gains/(losses) on assets	-	-	-	-	-	-	-
	Employer contributions - benefits paid	5,317	5,476	5,631	5,799	5,962	6,102	6,233
	Employer contributions - Letter of credit	428	428	428	428	428	428	428
	Plan participants' contributions	-	-	-	-	-	-	-
	Benefits paid from the company	(5,317)	(5,476)	(5,631)	(5,799)	(5,962)	(6,102)	(6,233)
	Transfer payments	-	-	-	-	-	-	-
	Taxes paid	(214)	(214)	(214)	(214)	(214)	(214)	(214)
	Settlements	-	-	-	-	-	-	-
	Special/contractual termination benefits	-	-	-	-	-	-	-
	Market value of plan assets - end of period	5,344	5,558	5,772	5,986	6,200	6,414	6,628
C	**Amount recognized in the balance sheet**							
	Present value of obligations	144,541	143,798	142,822	141,581	140,057	138,301	136,350
	Fair value of plan assets	5,344	5,558	5,772	5,986	6,200	6,414	6,628
	Surplus (deficit)	(139,197)	(138,240)	(137,050)	(135,595)	(133,857)	(131,887)	(129,722)
	Unrecognized past service cost (benefit)	-	-	-	-	-	-	-
	Unrecognized net actuarial (gains)/losses	36,398	33,909	31,576	29,388	27,337	25,414	23,612
	Cumulative employer contributions in excess of benefit cost	(102,799)	(104,331)	(105,474)	(106,207)	(106,520)	(106,473)	(106,110)
	Annual charges to OCI							
	- Net actuarial gains/(losses) incurred in year	214	214	214	214	214	214	214
	- Past service credits/(costs) incurred in year	-	-	-	-	-	-	-
	Sub-total	214	214	214	214	214	214	214
	LESS							
	- Net actuarial gains/(losses) amortized in year	(2,615)	(2,275)	(2,119)	(1,974)	(1,837)	(1,709)	(1,588)
	- Past service credits/(costs) amortized in year	-	-	-	-	-	-	-
	Sub-total	(2,615)	(2,275)	(2,119)	(1,974)	(1,837)	(1,709)	(1,588)
	Credit (charge) to OCI in year	2,829	2,489	2,333	2,188	2,051	1,923	1,802
D	**Components of Benefit cost**							
	Employer service cost	1,070	1,020	964	897	813	764	748
	Expected letter of credit fee	428	428	428	428	428	428	428
	Interest cost	3,730	3,713	3,691	3,661	3,625	3,582	3,534
	Expected return on plan assets	-	-	-	-	-	-	-
	Net prior service cost amortization	-	-	-	-	-	-	-
	Net loss/(gain) amortization	2,615	2,275	2,119	1,974	1,837	1,709	1,588
	Curtailments	-	-	-	-	-	-	-
	Settlements	-	-	-	-	-	-	-
	Special/contractual termination benefits	-	-	-	-	-	-	-
	Disclosed benefit cost	7,843	7,436	7,202	6,960	6,703	6,483	6,298
E	**Gain/loss Amortization**							
	Cumulative (gains)/losses (BOY)	39,227	36,398	33,909	31,576	29,388	27,337	25,414
	EARSL	15.00	16.00	16.00	16.00	16.00	16.00	16.00
	Amortization of (gains)/losses	2,615	2,275	2,119	1,974	1,837	1,709	1,588
F	**Reconciliation of accumulated contributions in excess of Benefit Cost**							
	Accumulated contributions in excess of Benefit Cost (BOY)	(100,701)	(102,799)	(104,331)	(105,474)	(106,207)	(106,520)	(106,473)
	Pension expense recognized in P&L in the financial year	(7,843)	(7,436)	(7,202)	(6,960)	(6,703)	(6,483)	(6,298)
	Employer contributions made in the financial year	428	428	428	428	428	428	428
	Benefits paid directly by company in the financial year	5,317	5,476	5,631	5,799	5,962	6,102	6,233
	Net transfer in/(out) (including the effect of any acquisitions/divestitures)	-	-	-	-	-	-	-
	Accumulated contributions in excess of Benefit Cost (EOY)	(102,799)	(104,331)	(105,474)	(106,207)	(106,520)	(106,473)	(106,110)
G	**Assumptions**							
	At beginning of period							
	Discount rate	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%
	Expected rate of return on plan assets	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Hydro One Pension Plan (RPP) and Hydro One Inc. Supplementary Pension Plan (SPS/DSPS) **APPENDIX A.3**
Projected 2021 to 2027 Accounting Under US GAAP
Active / Inactive Split
Figures in $000s

RPP

Components of Benefit Cost	2021			2022			2023			2024			2025			2026			2027		
	Inactive	Active	Total	Inactive	Active	Total	Inactive	Active	Total	Inactive	Active	Total	Inactive	Active	Total	Inactive	Active	Total	Inactive	Active	Total
Current service cost	0	239,854	239,854	0	254,273	254,273	0	261,002	261,002	0	267,486	267,486	0	268,249	268,249	0	272,997	272,997	0	281,448	281,448
Interest cost	159,317	97,646	256,963	162,757	99,755	262,512	165,770	102,467	268,237	168,064	106,103	274,167	169,790	110,391	280,181	170,981	115,420	286,401	171,672	121,284	292,956
Expected return on plan assets	(266,477)	(163,325)	(429,802)	(273,383)	(167,557)	(440,940)	(280,410)	(173,328)	(453,738)	(286,556)	(180,909)	(467,465)	(291,998)	(189,847)	(481,845)	(296,661)	(200,258)	(496,919)	(300,554)	(212,336)	(512,890)
Amortization of past service cost	893	1,524	2,417	974	1,443	2,417	1,104	1,313	2,417	1,186	1,231	2,417	1,309	1,108	2,417	1,429	988	2,417	1,576	841	2,417
Amortization of net (gain) loss	77,172	47,299	124,471	67,525	41,387	108,912	63,101	39,004	102,105	58,679	37,045	95,724	54,383	35,358	89,741	50,227	33,905	84,132	46,220	32,654	78,874
Curtailment (gain) / loss recognized	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Settlement (gain) / loss recognized	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total benefit cost recognized in the P&L account	(29,095)	222,998	193,903	(42,127)	229,301	187,174	(50,435)	230,458	180,023	(58,627)	230,956	172,329	(66,516)	225,259	158,743	(74,024)	223,052	149,028	(81,086)	223,891	142,805
Credit (charge) to OCI in year	78,065	48,823	126,888	68,499	42,830	111,329	64,205	40,317	104,522	59,865	38,276	98,141	55,692	36,466	92,158	51,656	34,893	86,549	47,796	33,495	81,291
Proportion	62.0%			62.0%			61.8%			61.3%			60.6%			59.7%			58.6%		
	37%			40%			46%			49%			54%			59%			65%		

SPS/DSPS

Components of Benefit Cost	2021			2022			2023			2024			2025			2026			2027		
	Inactive	Active	Total	Inactive	Active	Total	Inactive	Active	Total	Inactive	Active	Total	Inactive	Active	Total	Inactive	Active	Total	Inactive	Active	Total
Current service cost	0	1,070	1,070	0	1,020	1,020	0	964	964	0	897	897	0	813	813	0	764	764	0	748	748
Expected letter of credit fee	361	67	428	363	65	428	365	63	428	367	61	428	371	57	428	372	56	428	374	54	428
Interest cost	3,144	586	3,730	3,149	564	3,713	3,148	543	3,691	3,137	524	3,661	3,143	482	3,625	3,116	466	3,582	3,085	449	3,534
Expected return on plan assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Amortization of past service cost	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Amortization of net (gain) loss	2,204	411	2,615	1,929	346	2,275	1,808	311	2,119	1,692	282	1,974	1,593	244	1,837	1,487	222	1,709	1,386	202	1,588
Curtailment (gain) / loss recognized	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Special Termination Benefit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total benefit cost recognized in the P&L account	5,709	2,134	7,843	5,441	1,995	7,436	5,321	1,881	7,202	5,196	1,764	6,960	5,107	1,596	6,703	4,975	1,508	6,483	4,845	1,453	6,298
Credit (charge) to OCI in year	2,204	411	2,615	1,929	346	2,275	1,808	311	2,119	1,692	282	1,974	1,593	244	1,837	1,487	222	1,709	1,386	202	1,588

Hydro One Supplemental Defined Contribution Plan **APPENDIX A.4**
Projected 2021 to 2027 Accounting Under US GAAP

Figures in $000s

		Projections						
		2021	2022	2023	2024	2025	2026	2027
A	**Change in Benefit Obligation**							
	PBO at prior fiscal year end	303	473	649	832	1,036	1,249	1,472
	Employer service cost	176	183	190	197	205	213	221
	Interest cost	20	30	39	49	60	72	83
	Actuarial(gains)/losses	-	-	-	-	-	-	-
	Plan participants' contributions	-	-	-	-	-	-	-
	Benefits Paid from the Company	(26)	(37)	(46)	(42)	(52)	(62)	(74)
	Transfer from (to) other plans	-	-	-	-	-	-	-
	Curtailments	-	-	-	-	-	-	-
	Settlements	-	-	-	-	-	-	-
	Special/contractual termination benefits	-	-	-	-	-	-	-
	Benefit obligation - end of period	473	649	832	1,036	1,249	1,472	1,702
B	**Change in Plan Assets**							
	Fair value of assets at prior fiscal year end	-	-	-	-	-	-	-
	Expected return on plan assets	-	-	-	-	-	-	-
	Actual gains/(losses) on assets	-	-	-	-	-	-	-
	Employer contributions - benefits paid	26	37	46	42	52	62	74
	Plan participants' contributions	-	-	-	-	-	-	-
	Benefits Paid from the company	(26)	(37)	(46)	(42)	(52)	(62)	(74)
	Transfer payments	-	-	-	-	-	-	-
	Taxes paid	-	-	-	-	-	-	-
	Settlements	-	-	-	-	-	-	-
	Special/contractual termination benefits	-	-	-	-	-	-	-
	Market value of plan assets - end of period	-	-	-	-	-	-	-
C	**Amount recognized in the balance sheet**							
	Present value of obligations	473	649	832	1,036	1,249	1,472	1,702
	Fair value of plan assets	-	-	-	-	-	-	-
	Surplus (deficit)	(473)	(649)	(832)	(1,036)	(1,249)	(1,472)	(1,702)
	Unrecognized past service cost (benefit)	-	-	-	-	-	-	-
	Unrecognized net actuarial (gains)/losses	30	28	26	24	22	21	20
	Cumulative employer contributions in excess of benefit cost	(443)	(621)	(806)	(1,012)	(1,227)	(1,451)	(1,682)
	Annual charges to OCI							
	- Net actuarial gains/(losses) incurred in year	-	-	-	-	-	-	-
	- Past service credits/(costs) incurred in year	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-
	LESS							
	- Net actuarial gains/(losses) amortized in year	(2)	(2)	(2)	(2)	(2)	(1)	(1)
	- Past service credits/(costs) amortized in year	-	-	-	-	-	-	-
	Sub-total	(2)	(2)	(2)	(2)	(2)	(1)	(1)
	Credit (charge) to OCI in year	2	2	2	2	2	1	1
D	**Components of Benefit cost**							
	Employer service cost	176	183	190	197	205	213	221
	Interest cost	20	30	39	49	60	72	83
	Expected return on plan assets	-	-	-	-	-	-	-
	Net prior service cost amortization	-	-	-	-	-	-	-
	Net loss/(gain) amortization	2	2	2	2	2	1	1
	Curtailments	-	-	-	-	-	-	-
	Settlements	-	-	-	-	-	-	-
	Special/contractual termination benefits	-	-	-	-	-	-	-
	Disclosed benefit cost	198	215	231	248	267	286	305
E	**Gain/loss Amortization**							
	Cumulative (gains)/losses (BOY)	32	30	28	26	24	22	21
	EARSL	15.00	16.00	16.00	16.00	16.00	16.00	16.00
	Amortization of (gains)/losses	2	2	2	2	2	1	1
F	**Reconciliation of accumulated contributions in excess of Benefit Cost**							
	Accumulated contributions in excess of Benefit Cost (BOY)	(271)	(443)	(621)	(806)	(1,012)	(1,227)	(1,451)
	Pension expense recognized in P&L in the financial year	(198)	(215)	(231)	(248)	(267)	(286)	(305)
	Employer contributions made in the financial year	-	-	-	-	-	-	-
	Benefits paid directly by company in the financial year	26	37	46	42	52	62	74
	Net transfer in/(out) (including the effect of any acquisitions/divestitures)	-	-	-	-	-	-	-
	Accumulated contributions in excess of Benefit Cost (EOY)	(443)	(621)	(806)	(1,012)	(1,227)	(1,451)	(1,682)
G	**Assumptions**							
	At beginning of period							
	Discount rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Expected rate of return on plan assets	5.40%	5.40%	5.40%	5.40%	5.40%	5.40%	5.40%

Hydro One Limited Non-Pension Post Retirement Benefit - Hydro One Only
Projected 2021 to 2027 Accounting under US GAAP

APPENDIX B.1

Figures in $000s

		Projections						
		2021	2022	2023	2024	2025	2026	2027
A	**Change in Projected Benefit Obligation**							
	PBO at prior fiscal year end	1,560,031	1,609,746	1,665,792	1,725,671	1,788,923	1,855,434	1,925,424
	Employer service cost (BOY)	49,746	56,347	59,996	63,072	66,138	69,166	72,031
	Interest cost	41,317	42,759	44,293	45,913	47,617	49,408	51,285
	Actuarial(gains)/losses	-	-	-	-	-	-	-
	Plan Participants' contributions	-	-	-	-	-	-	-
	Benefits Paid	(41,348)	(43,060)	(44,410)	(45,733)	(47,244)	(48,584)	(49,943)
	Recognition of prior service	-	-	-	-	-	-	-
	Curtailments	-	-	-	-	-	-	-
	Settlements	-	-	-	-	-	-	-
	Net transfers	-	-	-	-	-	-	-
	PBO at current fiscal year end	1,609,746	1,665,792	1,725,671	1,788,923	1,855,434	1,925,424	1,998,797
B	**Change in Plan Assets**							
	Fair value of assets at prior year end	-	-	-	-	-	-	-
	Expected return on plan assets	-	-	-	-	-	-	-
	Actual gains/(losses) on assets	-	-	-	-	-	-	-
	Employer contributions	41,348	43,060	44,410	45,733	47,244	48,584	49,943
	Plan Participants' contributions	-	-	-	-	-	-	-
	Benefits paid	(41,348)	(43,060)	(44,410)	(45,733)	(47,244)	(48,584)	(49,943)
	Settlements	-	-	-	-	-	-	-
	Special/contractual termination benefits	-	-	-	-	-	-	-
	Fair value of assets at current fiscal year end	-	-	-	-	-	-	-
C	**Amount recognized in the balance sheet**							
	Present value of obligations	1,609,746	1,665,792	1,725,671	1,788,923	1,855,434	1,925,424	1,998,797
	Fair value of plan assets	-	-	-	-	-	-	-
	Surplus (deficit) for funded plans	(1,609,746)	(1,665,792)	(1,725,671)	(1,788,923)	(1,855,434)	(1,925,424)	(1,998,797)
	Unrecognized past service cost (benefit)	27,036	23,455	19,874	16,294	12,713	9,132	5,551
	Unrecognized net actuarial (gains)/losses	15,620	15,620	15,620	15,620	15,620	15,620	15,620
	Cumulative employer contributions in excess of benefit cost	(1,567,090)	(1,626,717)	(1,690,177)	(1,757,009)	(1,827,101)	(1,900,672)	(1,977,626)
	Annual charges to OCI							
	- Net actuarial gains/(losses) incurred in year	-	-	-	-	-	-	-
	- Past service credits/(costs) incurred in year	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-
	LESS							
	- Net actuarial gains/(losses) amortized in year	-	-	-	-	-	-	-
	- Past service credits/(costs) amortized in year	(3,581)	(3,581)	(3,581)	(3,581)	(3,581)	(3,581)	(3,581)
	Sub-total	(3,581)	(3,581)	(3,581)	(3,581)	(3,581)	(3,581)	(3,581)
	Credit (charge) to OCI in year	3,581	3,581	3,581	3,581	3,581	3,581	3,581
D	**Components of Benefit Cost**							
	Employer service cost	49,746	56,347	59,996	63,072	66,138	69,166	72,031
	Interest cost	41,317	42,759	44,293	45,913	47,617	49,408	51,285
	Expected return on plan assets	-	-	-	-	-	-	-
	Net prior service (credit)/cost amortization	3,581	3,581	3,581	3,581	3,581	3,581	3,581
	Net (gains)/loss amortization	-	-	-	-	-	-	-
	Curtailments	-	-	-	-	-	-	-
	Settlements	-	-	-	-	-	-	-
	Net transfers	-	-	-	-	-	-	-
	Disclosed benefit cost	94,644	102,687	107,870	112,566	117,336	122,155	126,897
E	**Gain/loss Amortization**							
	Cumulative (gains)/losses (BOY)	15,620	15,620	15,620	15,620	15,620	15,620	15,620
	EARSL	15.3	16.2	16.2	16.0	15.7	15.5	15.2
	Amortization of (gains)/losses	-	-	-	-	-	-	-
F	**Reconciliation of accumulated contributions in excess of Benefit Cost**							
	Accumulated contributions in excess of Benefit Cost (BOY)	(1,513,794)	(1,567,090)	(1,626,717)	(1,690,177)	(1,757,010)	(1,827,102)	(1,900,673)
	Benefit cost recognized in P&L in the financial year	(94,644)	(102,687)	(107,870)	(112,566)	(117,336)	(122,155)	(126,897)
	Employer contributions made in the financial year	41,348	43,060	44,410	45,733	47,244	48,584	49,943
	Benefits paid directly by company in the fianncial year	-	-	-	-	-	-	-
	Net transfers	-	-	-	-	-	-	-
	Accumulated contributions in excess of Benefit Cost (EOY)	(1,567,090)	(1,626,717)	(1,690,177)	(1,757,010)	(1,827,102)	(1,900,673)	(1,977,627)
G	**Assumptions**							
	At beginning of period							
	Discount rate	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%
	Expected rate of return on plan assets	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Hydro One Limited Non-Pension Post Retirement Benefit - Inergi Only
Projected 2021 to 2027 Accounting under US GAAP

APPENDIX B.2

Figures in $000s

		Projections						
		2021	2022	2023	2024	2025	2026	2027
A	**Change in Projected Benefit Obligation**							
	PBO at prior fiscal year end	27,240	27,075	26,877	26,635	26,346	26,014	25,643
	Employer service cost (BOY)	-	-	-	-	-	-	-
	Interest cost	697	692	687	680	672	663	653
	Actuarial(gains)/losses	-	-	-	-	-	-	-
	Plan Participants' contributions	-	-	-	-	-	-	-
	Benefits Paid	(862)	(890)	(929)	(969)	(1,004)	(1,034)	(1,070)
	Recognition of prior service	-	-	-	-	-	-	-
	Curtailments	-	-	-	-	-	-	-
	Settlements	-	-	-	-	-	-	-
	Net transfers	-	-	-	-	-	-	-
	PBO at current fiscal year end	27,075	26,877	26,635	26,346	26,014	25,643	25,226
B	**Change in Plan Assets**							
	Fair value of assets at prior year end	-	-	-	-	-	-	-
	Expected return on plan assets	-	-	-	-	-	-	-
	Actual gains/(losses) on assets	-	-	-	-	-	-	-
	Employer contributions	862	890	929	969	1,004	1,034	1,070
	Plan Participants' contributions	-	-	-	-	-	-	-
	Benefits paid	(862)	(890)	(929)	(969)	(1,004)	(1,034)	(1,070)
	Settlements	-	-	-	-	-	-	-
	Special/contractual termination benefits	-	-	-	-	-	-	-
	Fair value of assets at current fiscal year end	-	-	-	-	-	-	-
C	**Amount recognized in the balance sheet**							
	Present value of obligations	27,075	26,877	26,635	26,346	26,014	25,643	25,226
	Fair value of plan assets	-	-	-	-	-	-	-
	Surplus (deficit) for funded plans	(27,075)	(26,877)	(26,635)	(26,346)	(26,014)	(25,643)	(25,226)
	Unrecognized past service cost (benefit)	-	-	-	-	-	-	-
	Unrecognized net actuarial (gains)/losses	(3,801)	(3,606)	(3,426)	(3,267)	(3,126)	(3,004)	(2,897)
	Cumulative employer contributions in excess of benefit cost	(30,876)	(30,483)	(30,061)	(29,613)	(29,140)	(28,647)	(28,123)
	Annual charges to OCI							
	- Net actuarial gains/(losses) incurred in year	-	-	-	-	-	-	-
	- Past service credits/(costs) incurred in year	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-
	LESS							
	- Net actuarial gains/(losses) amortized in year	189	195	180	159	141	122	107
	- Past service credits/(costs) amortized in year	-	-	-	-	-	-	-
	Sub-total	189	195	180	159	141	122	107
	Credit (charge) to OCI in year	(189)	(195)	(180)	(159)	(141)	(122)	(107)
D	**Components of Benefit Cost**							
	Employer service cost	-	-	-	-	-	-	-
	Interest cost	697	692	687	680	672	663	653
	Expected return on plan assets	-	-	-	-	-	-	-
	Net prior service (credit)/cost amortization	-	-	-	-	-	-	-
	Net (gains)/loss amortization	(189)	(195)	(180)	(159)	(141)	(122)	(107)
	Curtailments	-	-	-	-	-	-	-
	Settlements	-	-	-	-	-	-	-
	Net transfers	-	-	-	-	-	-	-
	Disclosed benefit cost	508	497	507	521	531	541	546
E	**Gain/loss Amortization**							
	Cumulative (gains)/losses (BOY)	(3,990)	(3,801)	(3,606)	(3,426)	(3,267)	(3,126)	(3,004)
	EARSL	6.7	5.6	5.1	4.8	4.5	4.3	4.1
	Amortization of (gains)/losses	(189)	(195)	(180)	(159)	(141)	(122)	(107)
F	**Reconciliation of accumulated contributions in excess of Benefit Cost**							
	Accumulated contributions in excess of Benefit Cost (BOY)	(31,230)	(30,876)	(30,483)	(30,061)	(29,613)	(29,140)	(28,647)
	Benefit cost recognized in P&L in the financial year	(508)	(497)	(507)	(521)	(531)	(541)	(546)
	Employer contributions made in the financial year	862	890	929	969	1,004	1,034	1,070
	Benefits paid directly by company in the fiannncial year	-	-	-	-	-	-	-
	Net transfers	-	-	-	-	-	-	-
	Accumulated contributions in excess of Benefit Cost (EOY)	(30,876)	(30,483)	(30,061)	(29,613)	(29,140)	(28,647)	(28,123)
G	**Assumptions**							
	At beginning of period							
	Discount rate	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%
	Expected rate of return on plan assets	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Hydro One Limited Non-Pension Post Retirement Benefit - Hydro One + Inergi
Projected 2021 to 2027 Accounting under US GAAP

APPENDIX B.3

Figures in $000s

		Projections						
		2021	2022	2023	2024	2025	2026	2027
A	**Change in Projected Benefit Obligation**							
	PBO at prior fiscal year end	1,587,271	1,636,821	1,692,669	1,752,306	1,815,269	1,881,448	1,951,067
	Employer service cost (BOY)	49,746	56,347	59,996	63,072	66,138	69,166	72,031
	Interest cost	42,014	43,451	44,980	46,593	48,289	50,071	51,938
	Actuarial(gains)/losses	-	-	-	-	-	-	-
	Plan Participants' contributions	-	-	-	-	-	-	-
	Benefits Paid	(42,210)	(43,950)	(45,339)	(46,702)	(48,248)	(49,618)	(51,013)
	Recognition of prior service	-	-	-	-	-	-	-
	Curtailments	-	-	-	-	-	-	-
	Settlements	-	-	-	-	-	-	-
	Net transfers	-	-	-	-	-	-	-
	PBO at current fiscal year end	1,636,821	1,692,669	1,752,306	1,815,269	1,881,448	1,951,067	2,024,023
B	**Change in Plan Assets**							
	Fair value of assets at prior year end	-	-	-	-	-	-	-
	Expected return on plan assets	-	-	-	-	-	-	-
	Actual gains/(losses) on assets	-	-	-	-	-	-	-
	Employer contributions	42,210	43,950	45,339	46,702	48,248	49,618	51,013
	Plan Participants' contributions	-	-	-	-	-	-	-
	Benefits paid	(42,210)	(43,950)	(45,339)	(46,702)	(48,248)	(49,618)	(51,013)
	Settlements	-	-	-	-	-	-	-
	Special/contractual termination benefits	-	-	-	-	-	-	-
	Fair value of assets at current fiscal year end	-	-	-	-	-	-	-
C	**Amount recognized in the balance sheet**							
	Present value of obligations	1,636,821	1,692,669	1,752,306	1,815,269	1,881,448	1,951,067	2,024,023
	Fair value of plan assets	-	-	-	-	-	-	-
	Surplus (deficit) for funded plans	(1,636,821)	(1,692,669)	(1,752,306)	(1,815,269)	(1,881,448)	(1,951,067)	(2,024,023)
	Unrecognized past service cost (benefit)	27,036	23,455	19,874	16,294	12,713	9,132	5,551
	Unrecognized net actuarial (gains)/losses	11,819	12,014	12,194	12,353	12,494	12,616	12,723
	Cumulative employer contributions in excess of benefit cost	(1,597,966)	(1,657,200)	(1,720,238)	(1,786,622)	(1,856,241)	(1,929,319)	(2,005,749)
	Annual charges to OCI	-	-	-	-	-	-	-
	- Net actuarial gains/(losses) incurred in year	-	-	-	-	-	-	-
	- Past service credits/(costs) incurred in year	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-
	LESS	-	-	-	-	-	-	-
	- Net actuarial gains/(losses) amortized in year	189	195	180	159	141	122	107
	- Past service credits/(costs) amortized in year	(3,581)	(3,581)	(3,581)	(3,581)	(3,581)	(3,581)	(3,581)
	Sub-total	(3,392)	(3,386)	(3,401)	(3,422)	(3,440)	(3,459)	(3,474)
	Credit (charge) to OCI in year	3,392	3,386	3,401	3,422	3,440	3,459	3,474
D	**Components of Benefit Cost**							
	Employer service cost	49,746	56,347	59,996	63,072	66,138	69,166	72,031
	Interest cost	42,014	43,451	44,980	46,593	48,289	50,071	51,938
	Expected return on plan assets	-	-	-	-	-	-	-
	Net prior service (credit)/cost amortization	3,581	3,581	3,581	3,581	3,581	3,581	3,581
	Net (gains)/loss amortization	(189)	(195)	(180)	(159)	(141)	(122)	(107)
	Curtailments	-	-	-	-	-	-	-
	Settlements	-	-	-	-	-	-	-
	Net transfers	-	-	-	-	-	-	-
	Disclosed benefit cost	95,152	103,184	108,377	113,087	117,867	122,696	127,443
E	**Gain/loss Amortization**							
	Cumulative (gains)/losses (BOY)	11,630	11,819	12,014	12,194	12,353	12,494	12,616
	EARSL	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Amortization of (gains)/losses	(189)	(195)	(180)	(159)	(141)	(122)	(107)
F	**Reconciliation of accumulated contributions in excess of Benefit Cost**							
	Accumulated contributions in excess of Benefit Cost (BOY)	(1,545,024)	(1,597,966)	(1,657,200)	(1,720,238)	(1,786,623)	(1,856,242)	(1,929,320)
	Benefit cost recognized in P&L in the financial year	(95,152)	(103,184)	(108,377)	(113,087)	(117,867)	(122,696)	(127,443)
	Employer contributions made in the financial year	42,210	43,950	45,339	46,702	48,248	49,618	51,013
	Benefits paid directly by company in the fianncial year	-	-	-	-	-	-	-
	Net transfers	-	-	-	-	-	-	-
	Accumulated contributions in excess of Benefit Cost (EOY)	(1,597,966)	(1,657,200)	(1,720,238)	(1,786,623)	(1,856,242)	(1,929,320)	(2,005,750)
G	**Assumptions**							
	At beginning of period							
	Discount rate	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%
	Expected rate of return on plan assets	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Hydro One Limited Post Employment Benefits
Projected 2021 to 2027 Accounting under US GAAP

APPENDIX B.4

Figures in $000s

		Projections						
		2021	2022	2023	2024	2025	2026	2027
A	**Change in Projected Benefit Obligation**							
	PBO at prior fiscal year end	124,141	132,773	141,805	151,207	160,967	171,119	181,681
	Employer service cost (BOY)	18,378	18,990	19,463	19,862	20,346	20,857	21,289
	Interest cost	3,533	3,767	4,010	4,261	4,523	4,795	5,077
	Actuarial(gains)/losses	-	-	-	-	-	-	-
	Plan Participants' contributions	-	-	-	-	-	-	-
	Benefits Paid	(13,279)	(13,725)	(14,071)	(14,363)	(14,717)	(15,090)	(15,407)
	Transfer from (to) other plans	-	-	-	-	-	-	-
	Curtailments	-	-	-	-	-	-	-
	Settlements	-	-	-	-	-	-	-
	Special/contractual termination benefits	-	-	-	-	-	-	-
	PBO at current fiscal year end	132,773	141,805	151,207	160,967	171,119	181,681	192,640
B	**Change in Plan Assets**							
	Fair value of assets at prior year end	-	-	-	-	-	-	-
	Expected return on plan assets	-	-	-	-	-	-	-
	Actual gains/(losses) on assets	-	-	-	-	-	-	-
	Employer contributions	13,279	13,725	14,071	14,363	14,717	15,090	15,407
	Plan Participants' contributions	-	-	-	-	-	-	-
	Benefits paid	(13,279)	(13,725)	(14,071)	(14,363)	(14,717)	(15,090)	(15,407)
	Settlements	-	-	-	-	-	-	-
	Special/contractual termination benefits	-	-	-	-	-	-	-
	Fair value of assets at current fiscal year end	-	-	-	-	-	-	-
C	**Amount recognized in the balance sheet**							
	Present value of obligations	132,773	141,805	151,207	160,967	171,119	181,681	192,640
	Fair value of plan assets	-	-	-	-	-	-	-
	Surplus (deficit) for funded plans	(132,773)	(141,805)	(151,207)	(160,967)	(171,119)	(181,681)	(192,640)
	Unrecognized past service cost (benefit)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Unrecognized net actuarial (gains)/losses	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Cumulative employer contributions in excess of benefit cost	(132,773)	(141,805)	(151,207)	(160,967)	(171,119)	(181,681)	(192,640)
	Annual charges to OCI							
	- Net actuarial gains/(losses) incurred in year	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	- Past service credits/(costs) incurred in year	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Sub-total	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	LESS							
	- Net actuarial gains/(losses) amortized in year	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	- Past service credits/(costs) amortized in year	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Sub-total	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Credit (charge) to OCI in year	N/A	N/A	N/A	N/A	N/A	N/A	N/A
D	**Components of Benefit Cost**							
	Employer service cost	18,378	18,990	19,463	19,862	20,346	20,857	21,289
	Interest cost	3,533	3,767	4,010	4,261	4,523	4,795	5,077
	Expected return on plan assets	-	-	-	-	-	-	-
	Net prior service (credit)/cost amortization	-	-	-	-	-	-	-
	Net (gains)/loss amortization	-	-	-	-	-	-	-
	Curtailments	-	-	-	-	-	-	-
	Settlements	-	-	-	-	-	-	-
	Special/contractual termination benefits	-	-	-	-	-	-	-
	Disclosed benefit cost	21,911	22,757	23,473	24,123	24,869	25,652	26,366
E	**Gain/loss Amortization**							
	Cumulative (gains)/losses (BOY)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	EARSL	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Amortization of (gains)/losses	N/A	N/A	N/A	N/A	N/A	N/A	N/A
F	**Reconciliation of accumulated contributions in excess of Benefit Cost**							
	Accumulated contributions in excess of Benefit Cost (BOY)	(124,141)	(132,773)	(141,805)	(151,207)	(160,967)	(171,119)	(181,681)
	Benefit cost recognized in P&L in the financial year	(21,911)	(22,757)	(23,473)	(24,123)	(24,869)	(25,652)	(26,366)
	Employer contributions made in the financial year	13,279	13,725	14,071	14,363	14,717	15,090	15,407
	Benefits paid directly by company in the fianncial year	-	-	-	-	-	-	-
	Net transfer in/(out) (including the effect of any acquisitions/diverstitures)	-	-	-	-	-	-	-
	Accumulated contributions in excess of Benefit Cost (EOY)	(132,773)	(141,805)	(151,207)	(160,967)	(171,119)	(181,681)	(192,640)
G	**Assumptions**							
	At beginning of period							
	Discount rate	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%	2.60%
	Expected rate of return on plan assets	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Hydro One Limited Non-Pension Post Retirement Benefit **APPENDIX B.5**
Projected 2020 to 2027 Accounting under US GAAP
Active / Inactive Split
Figures in $000s

Projected OPRB Expense - Hydro One

Components of Benefit Cost	2021			2022			2023			2024			2025			2026			2027		
	Inactive	Active	Total	Inactive	Active	Total	Inactive	Active	Total	Inactive	Active	Total	Inactive	Active	Total	Inactive	Active	Total	Inactive	Active	Total
Current service cost	-	49,746	49,746	-	56,347	56,347	-	59,996	59,996	-	63,072	63,072	-	66,138	66,138	-	69,166	69,166	-	72,031	72,031
Interest cost	22,022	19,295	41,317	22,705	20,054	42,759	23,431	20,862	44,293	24,012	21,901	45,913	24,475	23,142	47,617	25,000	24,408	49,408	25,386	25,899	51,285
Expected return on plan assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of past service cost	1,909	1,672	3,581	1,901	1,679	3,581	1,894	1,687	3,581	1,873	1,708	3,581	-	-	-	-	-	-	-	-	-
Amortization of net (gain) loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Curtailment (gain) / loss recognized	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settlement (gain) / loss recognized	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total benefit cost recognized in the P&L account	23,931	70,713	94,644	24,606	78,080	102,686	25,325	82,545	107,870	25,885	86,681	112,566	24,475	89,280	113,755	25,000	93,574	118,574	25,386	97,930	123,316
Credit (charge) to OCI in year	1,909	1,672	3,581	1,901	1,679	3,581	1,894	1,687	3,581	1,873	1,708	3,581	1,841	1,740	3,581	1,812	1,769	3,581	1,773	1,808	3,581

Projected OPRB Expense - Inergi

Components of Benefit Cost	2021			2022			2023			2024			2025			2026			2027		
	Inactive	Active	Total	Inactive	Active	Total	Inactive	Active	Total	Inactive	Active	Total	Inactive	Active	Total	Inactive	Active	Total	Inactive	Active	Total
Current service cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest cost	606	91	697	617	75	692	622	65	687	624	56	680	625	47	672	625	38	663	622	31	653
Expected return on plan assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of past service cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of net (gain) loss	(164)	(25)	(189)	(174)	(21)	(195)	(163)	(17)	(180)	(146)	(13)	(159)	(72)	(69)	(141)	(63)	(59)	(122)	(102)	(5)	(107)
Curtailment (gain) / loss recognized	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settlement (gain) / loss recognized	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total benefit cost recognized in the P&L account	442	66	508	443	54	497	459	48	507	478	43	521	553	(22)	531	562	(21)	541	520	26	546
Credit (charge) to OCI in year	(164)	(25)	(189)	(174)	(21)	(195)	(163)	(17)	(180)	(146)	(13)	(159)	(72)	(69)	(141)	(71)	(70)	(141)	(60)	(62)	(122)

Projected OPRB Expense - Total (Hydro One Inc. + Inergi)

Components of Benefit Cost	2021			2022			2023			2024			2025			2026			2027		
	Inactive	Active	Total	Inactive	Active	Total	Inactive	Active	Total	Inactive	Active	Total	Inactive	Active	Total	Inactive	Active	Total	Inactive	Active	Total
Current service cost	-	49,746	49,746	-	56,347	56,347	-	59,996	59,996	-	63,072	63,072	-	66,138	66,138	-	69,166	69,166	-	72,031	72,031
Interest cost	22,628	19,386	42,014	23,322	20,129	43,451	24,053	20,927	44,980	24,636	21,957	46,593	25,100	23,189	48,289	25,625	24,446	50,071	26,008	25,930	51,938
Expected return on plan assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of past service cost	1,909	1,672	3,581	1,901	1,679	3,581	1,894	1,687	3,581	1,873	1,708	3,581	-	-	-	-	-	-	-	-	-
Amortization of net (gain) loss	(164)	(25)	(189)	(174)	(21)	(195)	(163)	(17)	(180)	(146)	(13)	(159)	(72)	(69)	(141)	(63)	(59)	(122)	(102)	(5)	(107)
Curtailment (gain) / loss recognized	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settlement (gain) / loss recognized	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total benefit cost recognized in the P&L account	24,373	70,779	95,152	25,049	78,134	103,183	25,784	82,593	108,377	26,363	86,724	113,087	25,028	89,258	114,286	25,562	93,553	119,115	25,906	97,956	123,862
Credit (charge) to OCI in year	1,744	1,648	3,392	1,728	1,658	3,386	1,731	1,670	3,401	1,727	1,695	3,422	1,769	1,671	3,440	1,741	1,699	3,440	1,713	1,746	3,459

Hydro One Limited Post Employment Benefit
Projected 2018 to 2024 Accounting under US GAAP
Active / Inactive Split
Figures in $000s

Projected PEB Expense

Components of Benefit Cost	2021			2022			2023			2024			2025			2026			2027		
	Inactive	Active	Total	Inactive	Active	Total	Inactive	Active	Total	Inactive	Active	Total	Inactive	Active	Total	Inactive	Active	Total	Inactive	Active	Total
Current service cost	18,378	0	18,378	18,990	0	18,990	19,463	0	19,463	19,862	0	19,862	20,346	0	20,346	20,857	0	20,857	21,289	0	21,289
Interest cost	3,533	0	3,533	3,767	0	3,767	4,010	0	4,010	4,261	0	4,261	4,523	0	4,523	4,795	0	4,795	5,077	0	5,077
Expected return on plan assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Amortization of past service cost	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Amortization of net (gain) loss	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Curtailment (gain) / loss recognized	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Settlement (gain) / loss recognized	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total benefit cost recognized in the P&L account	21,911	0	21,911	22,757	0	22,757	23,473	0	23,473	24,123	0	24,123	24,869	0	24,869	25,652	0	25,652	26,366	0	26,366
Credit (charge) to OCI in year	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Appendix C - Statement of Assumptions (Hydro One PRB and Inergi PRB)

The rates in the following table are on a per annum basis.

Measurement Date	**December 31, 2020 (as per year-end disclosures) and End of December 31 During Projection Period (2021-2027)**
Economic Assumptions	
Discount Rates:	
• Hydro One PRB	2.60%
• Inergi PRB	2.60%
Salary increases	Refer to Table 1 and Table 2 for details
Health Care Trend Rates	
• Prescription Drug	4.25% per annum
• Other Medical	6.46% per annum in 2021 grading to 4.25% per annum after 2031
• Hospital and Dental	2.75% per annum
• Vision Care	1.75% per annum through 2028 and 0% thereafter
Per Capita Claim Costs	Please see Appendix A of the valuation report, "Post-Retirement Benefits Plans: Draft Actuarial Valuation Results as of January 1, 2020" dated February 2021 for per capita claim costs and the corresponding aging factors and expense / tax rates
Demographic assumptions	
Mortality	95% CPM2014 Private Table projected with Scale B
Retirement rates	Table 3
Termination rates	Table 4
Disability rates	Table 5
Other assumptions	
Eligible spouse at retirement	90%
Spousal age difference	Male 3 years older

Appendix C - Statement of Assumptions (PEB)

The rates in the following table are on a per annum basis.

Measurement Date	**December 31, 2020** **(as per year-end disclosures)** **and** **End of December 31** **During Projection Period** **(2021-2027)**
Economic Assumptions	
Discount Rates:	2.60%
Inflation on Disability Income Benefits	1.75%
Health Care Trend Rates	
• Medical	6.18% per annum in 2021 grading to 4.05% per annum after 2031
• Dental	4.25% per annum
Per Capita Claim Costs	
• Medical	$6,590 in 2020
• Dental	$1,410 in 2020
Demographic assumptions	
Mortality	UP94 table projected generationally using Scale AA
Disability termination rates	Based on the GLTD table from the 2009-2015 CIA Disability Termination Study
Incurred but not Reported (IBNR)	Estimated assuming a six month provision based on recent experience

Table 1 — Salary Increases due to Movement within the Salary Structure (M&P)

Age	First 4 Years of Employment	Subsequent Years
Under 25	7.5%	2.0%
25 - 29	5.5%	2.0%
30 - 34	3.5%	2.0%
35 - 39	3.5%	1.5%
40 – 44	3.5%	1.5%
45 - 49	2.0%	1.0%
50 - 54	2.0%	1.0%
55 - 59	1.0%	0.5%
60 & over	1.0%	0.0%

Table 2 — 2020 to 2027 fixed increases

Representation	2020	2021	2022	2023	2024	2025	2026	2027	2028 onward
Management	1.96%	2.33%	2.03%	2.00%	2.00%	2.00%	2.00%	2.00%	2.25%
Society	2.00%	2.33%	2.03%	2.00%	2.00%	2.00%	2.00%	2.00%	2.25%
PWU	1.96%	2.00%	2.20%	2.00%	2.00%	2.00%	2.00%	2.00%	2.25%

Table 3 — Retirement rates

	Eligible for Unreduced Retirement		Not Eligible for Unreduced Retirement
Age	Based on points (82 or 85)	35 years of service and over	
Under 55	10%	30%	0%
55 to 59	15%	30%	5%
60 to 64	12%	30%	7%
65	50%	30%	20%
66 to 69	25%	30%	15%
70 and over	100%	100%	100%

Table 4 — Termination rates

Service (years)	Male & Female
Under 20	1%
20 and over	0%

Table 5 — Disability Rates

Age	Male & Female
Under 30	0%
30 to 35	0.105%
35 to 40	0.110%
40 to 45	0.115%
45 to 50	0.120%
50 to 55	0.295%
55 to 59	1.000%
60 and above	1.878%

Hydro One
Hydro One Supplementary Pension Plan
Estimated Fiscal 2022 Benefit Cost

All monetary amounts shown in CAN Dollars $000's

		Fiscal Year Ending	31-Dec-22	31-Dec-21
A	**Disclosed Benefit Cost**			
	1	Employer service cost (BOY)	759	1,070
	2	Interest cost	4,024	3,730
	3	Expected letter of credit fee	415	428
	4	Expected return on assets	-	-
	5	Subtotal	5,198	5,228
	6	Net prior service cost/(credit) amortization	-	-
	7	Net loss/(gain) amortization	2,032	2,615
	8	Amortization subtotal	2,032	2,615
	9	Net periodic benefit cost/(income)	7,230	7,843
	10	Curtailments	-	-
	11	Settlements	-	-
	12	Special/contractual termination benefits	-	-
	13	Disclosed benefit cost	7,230	7,843
B	**Assumptions Used to Determine Benefit Cost**[1]			
	1	Discount rate	3.00%	2.60%
	2	Long-term rate of return on assets	Not Applicable	Not Applicable
	3	Rate of compensation increase	2.25% + M&P[2]	2.25% + M&P[2]
	4	Mortality table	90% of 2014 CPM Private table; projected using CPM improvement scale B	95% of 2014 CPM Private table; projected using CPM improvement scale B
C	**Assets at Beginning of Year**			
	1	Fair market value	5,347	5,130
	2	Market-related value	5,347	5,130
D	**Projected Benefit Obligation at Beginning of Year**		136,112	145,058
E	**Expected Cash Flow** [2]			
	1	Employer contributions	5,456	5,317
	2	Plan participants' contributions	-	-
	3	Benefits paid from the company	5,456	5,317
	4	Benefits paid from plan assets	-	-

Notes:

1) The disclosed benefit cost for each year reflects the assumptions and balances as of the prior year-end. Refer to year-end disclosure reports for further details.

2) Refer to Dec. 31/21 disclosure report for further details.

Hydro One
Hydro One Supplemental Defined Contribution Plan
Estimated Fiscal 2022 Benefit Cost

All monetary amounts shown in CAN Dollars $000's

		Fiscal Year Ending	31-Dec-22	31-Dec-21
A		**Disclosed Benefit Cost**		
	1	Employer service cost (MOY)	199	176
	2	Interest cost	35	20
	4	Expected return on assets	-	-
	5	Subtotal	234	196
	6	Net prior service cost/(credit) amortization	-	-
	7	Net loss/(gain) amortization	4	2
	8	Amortization subtotal	4	2
	9	Net periodic benefit cost/(income)	238	198
	10	Curtailments	-	-
	11	Settlements	-	-
	12	Special/contractual termination benefits	-	-
	13	Disclosed benefit cost	238	198
B		**Assumptions Used to Determine Benefit Cost**		
	1	Discount rate	Not Applicable	Not Applicable
	2	Long-term rate of return on notional balances	6.00%	5.40%
	3	Rate of compensation increase	Not Applicable	Not Applicable
	4	Mortality table	Not Applicable	Not Applicable
C		**Projected Benefit Obligation at Beginning of Year**	510	303
D		**Expected Cash Flow**[1]		
	1	Employer contributions	37	26
	2	Plan participants' contributions	-	-
	3	Benefits paid from the company	37	26
	4	Benefits paid from plan assets	-	-

Note:

1) F'22 estimated employer contributions are set equal to the expected benefit payments which are estimated to be the sum of annual payments for members who elected lump sum payment over a fixed term and 5% of the Projected Benefit Obligation at Beginning of Year.

Willis Towers Watson

Estimated 2022 Benefit Cost

Hydro One Ltd. Non-Pension Post-Retirement Benefit Plan ("Hydro One PRB"), Inergi Non-Pension Post-Retirement Benefit Plan ("Inergi PRB") and Hydro One Post-Employment Benefit Plan ("PEB")

March 18, 2022
All monetary amounts shown in CAN Dollars 000s

		Hydro One PRB	Inergi PRB	Total PRB	PEB
	January 1, 2022 Discount Rate	3.04%	3.04%		3.04%
	Disclosed Benefit Cost				
1	Employer service cost (BOY)	44,476	0	44,476	17,360
2	Interest cost	48,651	726	49,377	4,333
3	Expected return on assets	0	0	0	0
4	Subtotal	93,127	726	93,853	21,693
5	Net prior service cost/(credit) amortization	9,521	0	9,521	2,125
6	Net loss/(gain) amortization	0	(302)	(302)	0
7	Amortization subtotal	9,521	(302)	9,219	2,125
8	Net periodic benefit cost/(income)	102,648	424	103,072	23,818
9	Curtailments	0	0	0	0
10	Settlements	0	0	0	0
11	Special/contractual termination benefits	0	0	0	0
12	Disclosed benefit cost	102,648	424	103,072	23,818

Notes:

1. The calculations were conducted under US GAAP accounting standards.

2. Unless otherwise noted, all data, assumptions, methods, plan provisions and reliances are consistent with those used for the 2021 year-end disclosures, as outlined in the "Hydro One Non-Pension Post-Retirement Benefits Plan, Post-Employment Benefits Plan and Hydro One Supplementary Pension Plan Actuarial Valuation Report Disclosure for Fiscal Year Ending December 31, 2021" dated January 20, 2022.

3. The 2022 benefit cost for the PEB plan will be updated at year-end 2022 to reflect actuarial gains and losses experienced throughout 2022.

4. The expected average remaining service of active members for Hydro One PRB and Inergi PRB, used in determining the net loss/(gain) amortization, is 14.9 and 6.1 years, respectively.

5. The "Net prior service cost/(credit) amortization" amount showing for the Hydro One PRB Plan includes amortizations in respect of the *CSO Transfer, ITO Transfer, S2P Transfer* and *F&A, Pay and Shared Services Transfer* that have occurred in 2020, 2021 and 2022. Additional details on these amortizations can be found on the following page. Note that the amortization in respect of the *F&A, Pay and Shared Services Transfer* effective January 1, 2022 was calculated using an expected average remaining service period of 6.5 years.

6. As per FASB ASC 712, the increase in benefit obligation relating to the *F&A, Pay and Shared Services Transfer* to the PEB plan effective January 1, 2022 has been recognized immediately into the 2022 benefit cost. This amount is shown in the "Net prior service cost/(credit) amortization" row of the exhibit above.

7. Please refer to the accompanying e-mail dated March 18, 2022 for further details on our assumptions, methodologies and reliances.

H - OEB STAFF INTERROGATORY - 32

Reference:

RRRPVA and P&OPEB

1. EB-2017-0051, 2018 Cost of Service Settlement Proposal, February 22, 2018, Appendix A, p. 48 & 21
2. EB-2017-0051, OEB Staff Submission on the Settlement Proposal, March 1, 2018, p. 7 & 8
3. HORCI_Attach 7_H-02-01-07_20221019

In the 2018 cost of service settlement proposal, Hydro One Remote Communities agreed to provide a demonstration in its next cost of service proceeding that pension cost amounts actually paid equal amounts in the business plan to be collected.

The Parties also agreed that Hydro One Remote Communities will provide evidence on pension costs in conjunction with any RRRP account clearing. The evidence to be shown would clearly set out that the amount of pension cost funded by Hydro One Remote Communities would be equal to the amount required to fund its pension-related obligations as set out by external parties, and not necessarily equal to the current forecast amount.

At issue is whether the pension costs are in line with what external consultants show the utility should be collecting from ratepayers. The Parties agreed that, given the concern over Hydro One Remote Communities' evidence on whether it should be collecting the requested pension costs through the test period, the utility will track those costs annually and adjust them accordingly through the RRRP. The Parties have agreed that Remotes will true up those costs with what has been determined is necessary through external evaluations of its pension plan. When Hydro One Remote Communities next seeks clearing of the RRRP variance account it will provide evidence on any pension costs it credited or debited from the account.

In its submission on the settlement proposal in the 2018 cost of service proceeding, OEB staff stated that the actuarial valuation provided by Hydro One Remote Communities indicates that the utility will not be required to make a pension contribution, as the fund was in a surplus position at the end of 2016. Hydro One Remote Communities will true up the costs with the actual contributions that it is required to make.

In the current proceeding, Hydro One Remote Communities provided an enhanced RRRPVA spreadsheet that shows the amount of forecasted pension and OPEB versus actual, for the period 2018 to 2021. However, it is not clear to OEB staff whether the actual amounts in the spreadsheet

represent the fact that the utility was not required to make pension contributions, as the fund was in a surplus position at the end of 2016.

Interrogatory:

a) Please provide a demonstration that pension cost amounts actually paid equal amounts in the business plan to be collected. If this is not the case, please explain.

b) Please provide the actual 2013 to 2021 contributions made to both the Defined Benefit and Defined Contribution plans by Hydro One Remote Communities and reconcile to the amounts recorded annually in the RRRPVA spreadsheets.

c) Incorporating the response to b), please explain why the actual 2017 – 2021 (and any amounts from 2013 to 2016, as applicable) pension amounts in the RRRPVA spreadsheet are not $nil, given that the utility was not required to make pension contributions, as the fund was in a surplus position at the end of 2016 (and possibly earlier), and also given the commitments made in the 2018 cost of service proceeding settlement proposal.

d) Please update the RRPVA spreadsheets and the cumulative balance as at December 31, 2021 to reflect $nil actual pension costs for the period 2017 to 2021 (as well as the period 2013 to 2016, as applicable), or in the alternative, please explain why this update is not required.

Response:

a) As noted in the preamble of the interrogatory, the amount of pension costs funded by Hydro One Remotes would equal the amount required to fund its pension-related obligations and are not necessarily equal to the current forecast amount. As such, Hydro One confirms that actual pension cost amounts per year are not necessarily equal to amounts in the business plan, as the business plan contains forecast amounts based on projections that are provided by the actuaries. The actual data will not be the same as the forecast, particularly as the actual data for each year is based on actual payroll experience for the year versus the forecast for that year.

b) Please see below for actual 2013 to 2021 pension contributions made to both DB and DC pension plans (in $000s):

DB Pension	2013	2014	2015	2016	2017	2018	2019	2020	2021
Contribution	1,401	1,545	1,548	997	859	760	693	711	723
RRRPVA*	1,401	1,545	1,548	997	859	760	693	711	723

DC Pension	2013	2014	2015	2016	2017	2018	2019	2020	2021
Contribution	-	-	-	8	10	10	10	9	9
RRRPVA	-	-	-	8	10	10	10	9	9

Total Pension	2013	2014	2015	2016	2017	2018	2019	2020	2021
Contribution	**1,401**	**1,545**	**1,548**	**1,005**	**869**	**770**	**703**	**720**	**732**
RRRPVA	1,401	1,545	1,548	1,005	869	770	703	720	732

*2013-2016 per EB-2017-0051, Exhibit D1-04-01, page 2 of 5. 2018-2021 per EB-2022-0041, Exhibit D-04-01, page 2 of 6

Table 1 in Exhibit D-4-1 has been updated to reflect the DC portion in the RRRPVA that was missed in error. There is no impact on Remotes as these amounts have been reflected in a different account in OM&A that flow through the RRRPVA:

Table 1 - Pension Costs Revised (*in thousands $*)

Category	Board Approved	Historic (Actual)				Bridge	Test
	2018	2018	2019	2020	2021	2022	2023
OM&A*	491	553	447	495	474	692	693
Capital	196	217	256	225	258	361	417
Total	**687**	**770**	**703**	**720**	**732**	**1,053**	**1,110**

*OM&A amounts were updated to include DC plan costs from 2016 to 2021, as described above

c) Hydro One confirms that actual 2017 to 2021 pension amounts in the RRRPVA are not $nil, as Hydro One was required to make pension contributions over this period, as demonstrated in the above response to part b). Likewise, over the 2013 to 2016 period, Hydro One was not permitted to take a contribution holiday based on the rules in effect at the time; and thus, actual amounts from 2013 to 2016 are not $nil in the RRRPVA. The circumstances upon which Remotes made pension contributions under the former and current PBA rules and regulations from 2013 to 2021 are described in greater detail below.

Pre-May 1, 2018 Rules

Under the PBA and the regulations thereunder, an employer was previously allowed to take a contribution holiday provided that a plan was fully funded on both a going concern and solvency basis (the "Pre-May 1, 2018 Rules").

With respect to years prior to 2018, the plan was in a going concern deficit position at the time, and based on the rules in effect at the time, Hydro One was not permitted to take a contribution holiday as described below:

- **2013:** Based on the December 31, 2011 valuation results, Hydro One was not permitted to take a contribution holiday for 2013.
- **2014-2015:** Based on the December 31, 2013 valuation results, Hydro One was not permitted to take a contribution holiday for 2014 and 2015.
- **2016:** Based on the December 31, 2015 valuation results, Hydro One was not permitted to take a contribution holiday for 2016.
- **2017:** Based on the December 31, 2016 valuation results, it was possible for Hydro One to elect to take a contribution holiday for 2017; however, Hydro One chose to remit the normal cost contributions to the plan for that year.

Post-May 1, 2018 Rules

Effective May 1, 2018 pursuant to section 55.1 of the PBA and pursuant to O. Reg 250/18, there was a new test which provided that a private employer, such as Hydro One, can only take a contribution holiday in a year if an actuary certifies the plan has a funded ratio of at least 105% calculated on a wind-up basis (the "Post-May 1, 2018 Rules"). In other words, an employer is only permitted to take a contribution holiday if the Transfer Ratio (i.e. ratio of the market value of assets to the windup liabilities) is above 105%.

- **2018**: Under the December 31, 2017 valuation, Hydro One's DB Plan was 73% funded on a wind-up basis which is well below the 105% funding threshold associated with the newly prescribed contribution holiday test. Therefore, Hydro One was required to make contributions to the plan in 2018.
- **2019 to 2021**: Under the December 31, 2018 valuation report, which was operative until December 31, 2021, Hydro One's DB Plan was 73% funded on a wind-up basis. As the Transfer Ratio as stated in the December 31, 2018 valuation was 73%, Hydro One was therefore required to make contributions to the plan in 2019, 2020 and 2021.

Given the commitments made in the 2018 cost of service proceeding settlement proposal, Remotes has provided evidence on pension costs in conjunction with RRRPVA account clearing in interrogatory response to Exhibit I-1-H-Staff-32 part b), confirming that the amount of pension costs funded by Hydro One Remotes would be equal to the amount required to fund its pension-related obligation, and are in line with what the actuaries indicate the utility should be contributing and thus collecting from ratepayers.

d) No adjustments to the RRRPVA spreadsheets and the cumulative balance as at December 31, 2021 are required. Please refer to the response in part c) above.

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H - OEB STAFF INTERROGATORY - 33

Reference:

RRRPVA and P&OPEB

1. Exhibit D-4-1-2
2. Exhibit D-4-1-3

Hydro One Remote Communities is requesting a forecasted pension amount in the 2023 revenue requirement of $1,110,000, consisting of $693,000 in OM&A and $417,000 in capital.

Funding ratios greater than 100% indicate that the DB Plan holds more than a sufficient amount of assets to meet the long-term obligations of the DB Plan. The DB Plan ended 2021 with a going concern funded ratio of 118% (2020: 110%) and a solvency funded ratio of 114% (2020: 111%).

Interrogatory:

a) Please confirm that given that the DB Plan ended 2021 (and 2020) with a going concern funded ratio of 118% (2020: 110%) and a solvency funded ratio of 114% (2020: 111%), Hydro One Remote Communities is not required to make pension contributions. If this is not the case, please explain.

b) As discussed in the above interrogatories, please explain whether the updated pension actuarial reports/valuations as at December 31, 2021 show that the utility will not be required to make a pension contribution, as the fund in a surplus position.

c) Incorporating the response to parts a) and b) of this interrogatory, please confirm the following:
   i. The actual pension amounts in the RRRPVA spreadsheet should instead be $nil for the calendar year 2020 and forward until Hydro One Remote Communities' next scheduled rebasing (which is expected for 2028 rates).
   ii. The forecasted pension amount in the 2023 revenue requirement of $1,110,000 should instead be $nil.

d) If any of the above are not the case, please explain.

Response:

a) As discussed in interrogatory response to Exhibit I-1-H-Staff-32 c), Hydro One Remotes was required to make pension contributions under the rules and regulations in effect at the time. As per the Pension Benefit Act (PBA) and Regulations of Ontario since the post-May 1, 2018

rules came into effect, an employer is only permitted to take a contribution holiday if the Transfer Ratio (i.e. ratio of the market value of assets to the wind-up liabilities) is above 105%, and not on the basis of the going concern or solvency funded ratios. As such, the Transfer Ratio as stated in the December 31, 2018 valuation was 73% and therefore Hydro One was required to make normal cost contributions to the plan in 2019, 2020 and 2021.

b) Based on the most recent actuarial valuation as of December 31, 2021, the Transfer Ratio was 75%. Therefore, Hydro One is required to make normal cost contributions to the plan in 2022 and future years, until the Transfer Ratio increases above 105%.

c)

i. Not confirmed. As discussed above, under the PBA rules and Regulations of Ontario in effect at the time, Hydro One was required to make pension contributions in 2020. The RRRPVA spreadsheet does not require any further adjustments. Please refer to the response in part d).

ii. Not confirmed. As discussed above, Hydro One will be required to make pension contributions in 2022 and future years, as the Transfer Ratio is still well below 105% allowing the company to take a pension holiday. As such, Hydro One confirms that the forecasted pension amount of $1.11M in the 2023 revenue requirement remains appropriate, and should be approved as filed.

d) Please refer to the interrogatory response in Exhibit I-1-H-Staff-32 c) for further details.

H - OEB STAFF INTERROGATORY - 34

Reference:

RRRPVA and P&OPEB

1. Exhibit D-4-1-2
2. Exhibit D-4-1-4

Hydro One Remote Communities is requesting a forecasted pension amount in the 2023 revenue requirement of $1,110,000. This compares to the 2018 OEB-approved pension amount of $687,000.

Hydro One Remote Communities is requesting a forecasted OPEB amount in the 2023 revenue requirement of $1,709,000. This compares to the 2018 OEB-approved OPEB amount of $1,273,000.

Interrogatory:

a) Please explain why the proposed 2023 test year pension amount of $1,110,000 has increased by 62% versus the 2018 OEB-approved amount of $687,000.

b) Please explain why the proposed 2023 test year OPEB amount of $1,709,000 has increased by 34% versus 2018 OEB-approved amount of $1,273,000.

Response:

a) The increase in the proposed 2023 test year pension cost of $1.11M compared to the last approved amount of $687K in 2018 is attributable to a projected higher employer normal cost contribution requirement primarily due to the decrease in the funding discount rate assumption (i.e., from 5.3% to 4.9%) used in calculating the normal pension costs. There were also other changes to the assumptions and funding rules, as well as a higher projected headcount in this Application as compared to the prior rebasing application.

b) The increase in the proposed 2023 test year OPEB amount of $1.71M compared to the last approved amount of $1.27M in 2018 is attributable to a higher service cost paid by Hydro One, which is primarily due to the decrease in the discount rate assumption used to determine the service cost. Specifically, the 2023 test year OPEB amount assumed a discount rate of 2.6% while the 2018 OEB-approved amount assumed a discount rate of 3.8% contributing to the increase in the service cost. Similar to the above, there was also higher projected headcount in this Application as compared to the prior rebasing application.

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H - OEB STAFF INTERROGATORY - 35

Reference:

RRRPVA and P&OPEB

Exhibit D-4-1-5

Hydro One Remote Communities accounts for its OPEB costs on an accrual basis.

OEB staff notes that Hydro One Remote Communities filed this application under US GAAP. In addition, OEB staff notes that the amortization of actuarial gains/losses is recognized in income under US GAAP while the amortization of actuarial gains/losses is recognized in other comprehensive income under IFRS.

Interrogatory:

a) Please explain how the actuarial gains/losses are reflected in the RRRPVA.

b) Please provide the quantum of the actuarial loss/gain amortization that is included in the 2023 test year OPEB costs.

c) If Hydro One Remote Communities is approved to remain on US GAAP, please explain how the utility addresses the differences between IFRS and US GAAP with respect to the treatment of actuarial gains/losses.

d) Irrespective of the reporting standard applied by Hydro One Remote Communities throughout the 2023-2027 rate setting term, for rate-making purposes, would the utility be aggregable to notionally exclude all actuarial gains and losses from revenue requirement (if material), and instead, capture those impacts in a separate DVA? Please discuss.

Response:

a) Remotes operates on a net income neutral basis. Thus, any actuarial gains/losses run through the RRRPVA account.

b) Based on the 2023-2027 forecasting, the net gains/loss amortization amount was $0k for 2023 for the Hydro One PRB Plan. This is because the value of the unamortized gains/losses at the beginning of 2023 was forecasted to be within 10% of the reported obligation at year-end 2022 (i.e., within the “10% corridor”) and only amounts outside of the 10% corridor are amortized under Hydro One’s accounting policies (which is the standard approach that is used

under US GAAP for OPEB plans). Note that for the Inergi PRB Plan, the forecasted net gains/loss amortization amount was negative $180k for 2023 (reduction in benefit cost).

c) For financial accounting purposes, Hydro One (and by virtue, Hydro One Remotes) only reports results for its Other Post Employment Benefit Plans plan under US GAAP, consistent with its approach to regulatory accounting. As such, there is no need for Hydro One Remotes to address any differences between IFRS and US GAAP with respect to the treatment of actuarial gains/losses.

d) No. Hydro One Remotes would not be agreeable to notionally excluding all actuarial gains and losses from revenue requirement, and instead capturing those impacts in a deferral or variance account. Both Hydro One and Remotes view that the current practice of recognizing all components of the benefit cost in a year, as determined by the actuaries, continues to be the most appropriate and efficient means of reflecting these amounts in revenue requirement for rate-making purposes. In the case of Remotes, capturing actuarial gains and losses in a separate DVA is redundant as all variances between revenue and costs are trued up through the use of the RRRPVA. Moreover, Remotes does not believe that the actuarial gains and losses are material enough to warrant another deferral and variance account pertaining to OPEBs.

H - OEB STAFF INTERROGATORY - 36

Reference:

Exhibit H-2-1, Attachments 1-5

EB-2017-0051, OEB Staff - Interrogatory # 54, January 26, 2018

Preamble:

Regarding the RRRPVA Reconciliation for 2017, Hydro One Remote Communities made a credit adjustment of $682k to the January 1, 2017 opening balance.

Note 1 of this reconciliation stated the following:

> As a result of the Initial Public Offering (IPO) of Hydro One Limited, Remotes exited the PILs regime, which triggered a deemed disposition of all of its assets at FMV. As a result of the deemed disposition, Remotes was not able to claim the CCA for the January 1 to October 31, 2015 period for tax purposes. This resulted in a reduction of $682K in the RRRP variance account.

In an interrogatory related to the 2018 cost of service proceeding, Hydro One Remote Communities provided a calculation of the $682k reduction recorded in the RRRPVA.

Tax impact of Additional CCA deduction	($711,594)
Other	$ 29,233
Net	($682,361)

Hydro One Remote Communities further stated that:

- The company was unable to claim CCA from January 1 to October 31 as a result of the IPO.
- Rate-payers should be held neutral from tax impacts associated with the IPO.
- Consequently, ratepayers should be entitled to the CCA from January 1 to October 31 even though it cannot be claimed by the company.

Interrogatory:

a) Please confirm that the credit adjustment of $682k to the January 1, 2017 opening balance was made because of the following:
   i. Prior to that date, a cumulative amount of a debit of approximately $682k was recorded in the "Actual Revenues and Expenses (Audited)" column in the RRRPVA Reconciliations, which generated a higher RRRPVA balance to be collected from ratepayers.

ii. This debit of approximately $682k was recorded in the RRRPVA because Hydro One Remote Communities paid higher actual taxes than expected, as it was unable to claim CCA for the January 1 to October 31, 2015 period for tax purposes.
iii. Hydro One Remote Communities then subsequently concluded that its ratepayers should be held neutral from tax impacts associated with the IPO, which resulted in the credit adjustment of $682k to the January 1, 2017 opening balance.

b) If any of the above are not the case, please explain.

c) Please explain how Hydro One Remote Communities has absorbed the $682k credit adjustment to the RRRPVA. For example, if Hydro One Remote Communities wrote off this balance of $682k, how was the write-off accounted for (e.g., is it being recovered elsewhere for regulatory purposes)?

Response:

a) Confirmed, the credit adjustment of $682k was made for the reasons noted above. For greater clarity, the order of the events are as follows:

- As a result of the deemed dispositions on the IPO, Remotes was unable to claim CCA in its tax returns for January 1 to October 31, 2015 period as referenced in (a)(ii) above.
- The above resulted in a higher tax expense that reflected in the RRRPVA balance as described in reference (a)(i) above.
- In the last cost of service filing (EB-2017-0051) OEB Staff Interrogatory # 54, Remotes reduced the RRRPVA by $682k as described in (a)(iii) above, as ratepayers should be held neutral from tax impacts associated with the IPO.

b) See response to part (a) above.

c) The $682k is not being recovered for in rates; rather the costs have been borne by the shareholder.

H - OEB STAFF INTERROGATORY - 37

Reference:

EB-2017-0051, Exhibit D2-8-1-1, August 28, 2017
EB-2017-0051, OEB Staff - Interrogatory # 67, January 26, 2018
EB-2017-0051, 2018 Cost of Service Proceeding Settlement Proposal, February 22, 2018, Page 39
EB-2020-0194, Exhibit A-1-1-5, October 28, 2020
EB-2020-0194, Energy Probe Interrogatory #1, December 4, 2020
EB-2022-0041, OEB Staff Error Checking Questions #9 to #12, October 19, 2022

Preamble:

In the 2018 cost of service proceeding, the 2018 tax provision of a credit of $69,000, excluded CCA related to the revaluation of assets due to Hydro One's IPO.

It was also noted that the amounts recorded in the RRRPVA for both 2015 and 2016 would be impacted by the final allocation (between shareholder and ratepayers) of the tax benefits arising from Hydro One's 2015 IPO.

In the 2018 cost of service proceeding settlement proposal, intervenors noted that Hydro One Networks Inc., as part of EB-2016-0160, had an outstanding motion before the OEB to review and vary the decision regarding the allocation of certain taxes where changes arose from the Initial Public Offering of Hydro One Limited.

It was also noted that the outcome of this motion was outstanding at the time, and could impact Hydro One Remote Communities, its ratepayers, and the amount of money collected from the RRRPVA. The parties agreed that the balance in the RRRPVA will not be disposed of and the RRRPVA is to remain open until the conclusion of the outstanding motion or until the next rates proceeding following the expiry of this rate period, whichever comes first.

The following was noted in Hydro One Networks Inc. Transmission Revenue Requirement and Distribution Revenue Requirement and Tax Issue – Future Tax Savings Evidence.[1]

> On July 16, 2020, the Ontario Divisional Court determined that Board decisions having the effect of allocating tax savings amounts to rate payers had been made in error. In the Court's opinion, no part of the benefit of the Future Tax Savings is allocable to ratepayers and should instead be paid to the shareholders in its

[1] EB-2020-0194

entirety. The Court ordered that the matter be remitted back to the Board for implementation.

A copy of the Ontario Divisional Court Decision was filed as part of interrogatory responses in that proceeding.

Hydro One Remote Communities stated that the UCC and CCA on its tax returns filed in the current proceeding's pre-filed evidence include additional depreciable property relating to the fair market value revaluation that arose from the deemed disposition and reacquisition from the IPO. Hydro One Remote Communities noted that any tax deductions arising from fair market revaluation on the IPO deemed reacquisitions (IPO Bump) should accrue to the shareholders. As such, the UCC and CCA related to the IPO Bump have been excluded from its regulatory taxcalculations.

Interrogatory:

a) As the outstanding motion has now been completed, please describe how the RRRPVA balance of $9.732 million, as at December 31, 2021, has been impacted by the outcome of the motion, including both a quantification and explanation of the impacts.

b) If the RRRPVA balance of $9.732 million, as at December 31, 2021, has not been impacted by the outcome of the motion, please explain.

Response:

a) The RRRPVA balance of $9.732M has not been impacted by the Remittal of Future Tax Savings Issue (EB-2020-0194).

Hydro One was of the view that the tax benefits associated with the IPO bump belong to shareholders. Therefore, except for the one-time $682k correction described in interrogatory response to Exhibit I-1-H-Staff-36 relating to the CCA claim on January 1 to October 31, 2015 tax returns, Hydro One has not incorporated any tax deductions arising from the IPO bump in the determination of Hydro One Remote Communities' regulatory tax. Given that the OEB has acknowledged the Ontario Court Decision[2] affirming that the benefits of the IPO bump belong with Hydro One's shareholders, thus, no adjustments are required to the RRRPVA.

b) See response to part (a) above.

[2] EB-2020-0194, OEB Decision and Order - Remittal of Future Tax Savings Issue, dated April 8, 2021, and EB-2020-0194, Exhibit I-4-1, Attachment 1, Ontario Court Decision (File No. 200/19) dated July 16, 2020.

H - OEB STAFF INTERROGATORY - 38

Reference:

Exhibit A-2-1, page 6.

Preamble:

Hydro One Remote Communities is seeking an exemption from the use of Account 1588 (RSVA – Power) due to the following reasons:

1. The cost of power purchased from the IESO is recorded in Account 4705. Any variances between revenues collected from customers and costs paid to the IESO will be recoverable through the RRRP.

2. Given that Hydro One Remote Communities does not require disposition of Account 1588 to customers through separate rate riders, this negates the need to create an additional set of entries to record the cost of power purchased into Account 1588 on a monthly basis.

3. Recording the monthly entries to reflect the transfer from Account 4705 to Account 1588, as required in the OEB's Accounting Guidance,[1] would be redundant for Hydro One Remote Communities due to the circular nature of RRRP which functions to recover/return any variances between power sales and power costs incurred.

Interrogatory:

a) Regarding Hydro One Remote Communities' statements in bullet point #1 in the above preamble, please confirm that Hydro One Remote Communities means that the variances would be recoverable through the RRRPVA first, and then the RRRP. If this is not the case, please explain.

b) Regarding Hydro One Remote Communities' statements in bullet point #3 in the above preamble, please confirm that Hydro One Remote Communities means that the circular nature would apply to the RRRPVA first, and then the RRRP. If this is not the case, please explain.

[1] Accounting Procedures Handbook Update – Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589, February 21, 2019

Response:

a) Regarding bullet #1 in the above preamble, Remotes confirms that the variances between revenues collected from customers and costs paid to the IESO will be recoverable through the RRRPVA. While Remotes had originally referenced the RRRP in the preamble, it was intended to mean the RRRPVA. As a point of clarification, the annual RRRP subsidy is received on a monthly basis, and then the difference of all remaining revenue and costs flow through to RRRPVA.

b) Regarding bullet #3 in the above preamble, Remotes confirms that the circular nature of journal entries to transfer balances from Account 4705 to Account 1588 will apply to the RRRPVA. While Remotes had originally referenced the RRRP in the preamble, it was intended to mean the RRRPVA. As a point of clarification, the annual RRRP subsidy is received on a monthly basis, and then the difference of all remaining revenue and costs flow through to RRRPVA.

H - OEB STAFF INTERROGATORY - 39

Reference:

Exhibit A-2-1, pages 5-6

Preamble:

Regarding Account 1588, Hydro One Remote Communities stated that the OEB's Accounting Guidance is not applicable, as it does not have RPP and non-RPP customers.

OEB staff requires further detail regarding Hydro One Remote Communities' proposed exemption and non-applicability of Account 1588.

Interrogatory:

a) Given that Hydro One Remote Communities trues-up its revenues and costs to break-even through the use of RRRPVA, please confirm that circular journal entries would result if Account 1588 was utilized. Please confirm that any amounts that would be posted to Account 1588 would then subsequently be reflected in the RRRPVA. If any of these are not the case, please explain.

b) Please confirm that the reporting of the Account 1588 balance separately from the RRRPVA balance would affect all of Ontario's provincial ratepayers who pay for the RRRP funding. If this is not the case, please explain.

c) Please explain that whether using Account 1588 or the RRRPVA to capture the impact of cost of power related costs, another key difference may be due to timing, as Account 1588 is typically cleared in annual IRM proceedings, whereas the RRRPVA is typically cleared only in cost of service proceedings.

Response:

a) Confirmed. Circular entries would result if Account 1588 was utilized, as the amounts would be posted to Account 1588 and then subsequently reflected in the RRRPVA.

b) Not confirmed. Any balance to be recorded in Account 1588 would be transferred back to the RRRPVA for disposition, hence the amounts will continue to be disposed to Ontario's provincial ratepayers through the RRRP funding mechanism.

c) Remotes agrees in principle that more frequent dispositions of the account balance recorded through Account 1588 versus the RRRPVA is possible. However, recording balances in

Account 1588 may not necessarily result in more frequent disposition, as it is uncertain whether the annual balances in Account 1588 will exceed the materiality threshold triggering account disposition in an annual IRM proceeding.

H - OEB STAFF INTERROGATORY - 40

Reference:

Exhibit A-2-1, pages 4-6.
Exhibit A-2-2, page 3.

Preamble:

Regarding the Accounting Guidance on Capacity Based Recovery, set out in the OEB's July 25, 2016 letter, Hydro One Remote Communities does not have account balances in Account 1580 sub-account CBR Class B. Hydro One Remote Communities stated that this account is not applicable.

Hydro One Remote Communities stated that Account 1589 does not apply as the utility does not have non-RPP Class B customers. Regarding Account 1589, Hydro One Remote Communities also stated that the OEB's Accounting Guidance is not applicable, as it does not have RPP and non-RPP customers.

Hydro One Remote Communities stated that its customers do not pay the Global Adjustment, and as such it does not have activity in Account 1589.

Interrogatory:

a) Please confirm that since Hydro One Remote Communities does not have any non-RPP customers (as well as no Class A and Class B customers), there is no need to separate Class B impacts from Class A impacts in Account 1580 sub- account CBR Class B and no need for Account 1589. If this is not the case, please explain.

b) Please explain whether Hydro One Remote Communities is, or will be invoiced the Global Adjustment, and how this impacts the RRRPVA balance, given that its customers do not pay the Global Adjustment.

Response:

a) Confirmed. Hydro One Remote Communities does not have any non-RPP customers (as well as no Class A and Class B customers), so there is no need to separate Class B impacts from Class A impacts in Account 1580 sub- account CBR Class B and no need for Account 1589.

b) Since the filing of the Application, Remotes was billed Class B global adjustment settlement amount (charge type 148) through its first IESO invoice received for the North Caribou community. Remotes has confirmed with the IESO that this amount is a regulated charge for

all customers who have withdrawn electricity during the month. Although Remotes was charged the Class B global adjustment, Remotes does not have any non-RPP customers, and thus Account 1589 does not apply. This charge would be applied to the Cost of Power line in the Remotes' income statement. Remotes conducts its operations under a cost recovery model applied to achieve breakeven results of operations. Any excess or deficiency in remote rate protection revenues necessary to ensure breakeven results in operations is added to, or drawn from, the RRRPVA. Due to the circular nature of RRRPVA, it functions to recover/return any variances between billed amounts and actual costs that would otherwise be recorded in Account 1589, so there is no need to use Account 1589 when entries can be posted directly to the RRRPVA.

H - OEB STAFF INTERROGATORY - 41

Reference:

Exhibit A-1-2, page 3.
Exhibit A-2-2, page 3.

Preamble:

Hydro One Remote Communities stated that it will transition to a transmission-connected distributor, while continuing to provide off-grid electricity generation and distribution, both as primary or prime power and as backup power.

Hydro One Remote Communities stated that it is exempt from the Retail Service Code, and therefore the RTSR Workform does not apply to the utility.

Hydro One Remote Communities was silent regarding its use of Account 1550, LV Variance Account, Account 1580, RSVA - Wholesale Market Service Charge, Account 1584, RSVA - Retail Transmission Network Charge, Account 1586, RSVA - Retail Transmission Connection Charge, and Account 1595, Disposition and Recovery/Refund of Regulatory Balances.

Interrogatory:

a) Please explain:
   i. Hydro One Remote Communities' statement that it is exempt from the "Retail Service Code".
   ii. Whether the utility instead meant to reference a different OEB code.
   iii. How this exemption relates to the RTSR Workform not applying to the utility and the use of Account 1550, Account 1584, and Account 1586.

b) Please explain whether Account 1550, LV Variance Account, Account 1580, RSVA - Wholesale Market Service Charge, Account 1584, RSVA - Retail Transmission Network Charge, Account 1586, RSVA - Retail Transmission Connection Charge, and Account 1595, Disposition and Recovery/Refund of Regulatory Balances, are applicable to Hydro One Remote Communities.

c) If these accounts are not applicable to Hydro One Remote Communities, please explain why and also whether Hydro One Remote Communities is proposing an exemption to not use these accounts.

d) If these accounts are applicable to Hydro One Remote Communities, please explain why the utility is not using these accounts.

Response:

a) Remotes' responses are as follows:

i. Remotes is exempt from the Retail Settlement Code (RSC) as permitted by Schedule 3 of its distribution licence (ED-2003-0037). As such, Remotes does not have the obligations and responsibilities associated with financial settlement amongst retailers and consumers required by the RSC, which include:

- determining wholesale settlement costs for customers served under Standard Service Supply (SSS) that are connected to the distribution system; and
- determining retail settlement costs for competitive electricity services purchased by a consumer, including the calculation of adjustments to measured consumption at the consumer's meter for total losses to determine distribution loss factors and supply facility loss factors.

ii. Please see above response to part (a)(i).

iii. Remotes understands that the OEB's RTSR Workform was developed to assist distributors in calculating distributor-specific RTSRs. As Remotes does not pay the IESO for transmission service charges, it does not need to charge retail transmission service charges from its customers to recover the costs associated with transformation connection and network charges. On this basis, Remotes clarifies that the RTSR Workform does not apply to the utility.

As noted in Exhibit A, Tab 1, Schedule 3, Remotes is not an embedded distributor. Additionally, as Remotes is exempt from the RSC, it is not required to set up RSVAs (per section 6 of the RSC) for the purpose of recording variances between the amount owed to the IESO by a wholesale market participant or to a host distributor by an embedded distributor and the amount collected from consumers and retailers, that are created by the settlement process required under the Code. Neither the use of Accounts 1550, 1584 and 1586 respectively applies to Remotes.

b) As explained above, Remotes is not required to establish RSVAs that are created by the settlement process due to its exemption from the RSC.

- Account 1550 (LV Variance Account) is not applicable to Remotes, as Remotes does not have any balances to record in this variance account from low voltage transactions. Remotes is not charged amounts by a host distributor for transmission or low voltage services and does not bill the corresponding amounts to the embedded distributor's customers.

- Account 1580 (RSVA – Wholesale Market Service Charge) is not applicable to Remotes, as Remotes is not charged by the IESO for the operation of the IESO administered market/grid and does not bill its customers the OEB approved wholesale market service charge.
- Accounts 1584 and 1586 (RSVA – Transformation Connection and Network Charge) are not applicable to Remotes, as Remotes is not charged by the IESO for transmission network and connection services and does not bill customers using board-approved transmission network and connection charge rates.
- Account 1595 (Disposition and Recovery/Refund of Regulatory Balances) is not applicable nor required for Remotes, as RRRPVA already functions to recover/return any variances. Thus, an additional account for the true-up of balances through Account 1595 is not required.

c) Please see response in part (b) above, for the rationale as to why the above noted five accounts (Account 1550, Account 1580, Account 1584, Account 1586, and Account 1595) are not applicable to Remotes. As there will be no balances recorded in these accounts, they will simply not be used. Remotes is of the view that an exemption from non-applicable accounts is not required.

d) Not applicable. Please see response in part (b) above.

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H - OEB STAFF INTERROGATORY - 42

Reference:

Exhibit A-2-1, page 4.
Exhibit D-5-1, page 5.

Preamble:

On April 1, 2020, the OEB approved Hydro One Remote Communities' exemption request regarding Account 1592, but noted that this request will be effective to December 31, 2027, when the accelerated investment incentive (AII) program is expected to end, unless directed otherwise by the OEB as part of Hydro One Remote Communities' next rebasing application.

Hydro One Remote Communities stated that accelerated capital cost allowance (CCA) balances will be disposed of through the RRRP, as the OEB approved its exemption request to use Account 1592.

Interrogatory:

a) Please explain Hydro One Remote Communities' proposal regarding a further exemption from Account 1592, in the event of eitheroccurring:
   i. The accelerated CCA is continued past its scheduled expiry date of December 31, 2027.
   ii. Hydro One Remote Communities defers the filing of its next scheduled cost-based application that is expected for 2028rates.

b) Please clarify that Hydro One Remote Communities means that its CCA balances will be disposed of through the RRRPVA first, and then the RRRP. If this is not the case, please explain.

Response:

a) Based on the OEB's approval of Remotes' exemption request regarding Account 1592 in its letter dated April 1, 2020, the exemption from using Account 1592 will last until December 31, 2027, or unless directed otherwise as part of its next rebasing application. As Remotes has now incorporated the accelerated CCA impacts in the calculation of utility taxes in this Application, there are no further amounts to be recorded in Account 1592. Hence, a further exemption from Account 1592 beyond this rate period will not be required, as this account is no longer relevant nor applicable to Remotes. As noted in interrogatory response to Exhibit I-1-H-Staff-41 part c), an exemption from non-applicable accounts is not required. The accounts will simply not be used, if there are no amounts to be recorded in the accounts.

b) The accelerated CCA claimed as a result of the accelerated investment incentive (AII) program has reduced taxes resulting in higher net income. By virtue of Remotes operating on a breakeven basis, the increased net income as a result of accelerated CCA has been embedded in the RRRPVA balance as at December 31, 2021 of $9,732k, which Remotes is seeking disposition of within this rate proceeding. As such, Remotes confirms that its CCA balances embedded within the income tax calculations will be disposed of through the RRRPVA first.

A - WATAYNEKANEYAP POWER LP (WPLP) INTERROGATORY - 1

Reference:

Exhibit A-1-2, Page 3, Lines 1-4, Executive Summary of Application

Preamble:

In Exhibit A-1-2, Page 3, Lines 1-4:

> Watay seeks to connect 16 communities to the provincial electricity grid by 2024, of which 10 are already serviced by Hydro One Remotes. The remaining 6 communities will function as Independent Power Authority (IPA) communities and will also be serviced by Hydro One Remotes.

Interrogatory:

Please clarify the statement in the Preamble, in particular, whether the existing IPA communities intend to function as IPAs after connection to Hydro One Remotes.

Response:

Subject to the execution of an Electrification Agreement (and where applicable, a Backup Power Supply Agreement) and the satisfaction of conditions precedent in those agreements, the remaining 6 communities who currently function as Independent Power Authority (IPA) communities, will no longer function as IPAs upon connection to the provincial electricity grid as Hydro One Remotes will be their licenced electricity distributor.

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A - WATAYNEKANEYAP POWER LP (WPLP) INTERROGATORY - 2

Reference:

Exhibit A-1-2, Page 2, Lines 14-15, Executive Summary of Application

Preamble:

In Exhibit A-1-2, Page 2, Lines 14-15:

> There will also be additional OM&A increase resulting directly from the Wataypproject, which are forecasted at $66M annually starting in 2023, however these will be a flow-through for Remotes and will be funded through the Remote or Rural Rate Protection (RRRP) plan.

Interrogatory:

Assuming that the OEB-approved OM&A increase related to WPLP's Transmission System is known during this proceeding, will Hydro One Remotes update its evidence to reflect the actual 2023 OM&A amount?

Response:

Hydro One Remotes will provide an update to reflect revised 2023 OM&A amounts from the Watay Project. Please see A-Staff-02 for the updated amounts.

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A - WATAYNEKANEYAP POWER LP (WPLP) INTERROGATORY - 3

Reference:

Exhibit A-3-1, Attachment 1, Page 2, Summary of Remotes Business

Preamble:

In Exhibit A-3-1, Attachment 1, Page 2:

> The capital required to meet community load growth is funded by the federal government in all off-grid communities. Consequently, work is planned and executed in close collaboration with the First Nations communities, their Tribal Councils and Indigenous Services Canada.

Interrogatory:

Please provide the most recent report(s) for load growth and/or capital projects, if any, that have been prepared with First Nations communities, their Tribal Councils and/or Indigenous Services Canada for the First Nation communities that are connected or planned to be connected to WPLP's Transmission System.

Response:

The most recent Peak Load report, discussed in May 2022 with Indigenous Services Canada, is provided as Attachment 1 to this interrogatory response. This document reflects station capacities, peak loads, and notes any major housing starts or infrastructure projects known at that time.

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2022 PEAK LOAD REPORT - ISC COMMUNITIES

Based upon recent community peak loads within past five years.
Any major housing starts or infrastructure projects will advance timing.
Community notified and process initiated when load exceeds 75% of Station Prime Rating.
Connection restrictions placed in effect when community load reaches 85% of Station Prime Rating.
Typical community growth is 1% to 5% annually.
Communities are sorted based on their recent Percent of Station Rating.

						2021 - 2022 Peak			5 Year Historic Peak			
Year Upgrade Identified with FN	Estimated Connection Restriction	Planned Grid Connection	Location	Station Prime Rating	Station Connection Limit	Peak (red = new record)	Percent of Station Rating	Percent of Connection Limit	Peak	Percent of Station Rating	Year	Notes
2021	now	x	WEBEQUIE	1000	850	1028	103%	121%				DGS upgrade planned for 2023
2002	now	2022	WEAGAMOW	1300	1105	1212	93%	110%				
CONNECTION RESTRICTION LINE 85% of Prime Rating												
	2033	x	GULL BAY	500	425	361	72%	85%				DGS upgrade planned for 2023 to accommodate potential school connection
	2023	2024	SANDY LAKE	3750	3188	3106	83%	97%				Over 30 connections in progress, mainly housing. Future 2022 connections likely.
	2024	2023	BEARSKIN	1000	850	778	78%	92%	784	78%	2020	(30) houses (200A w/electric heat) requested for March 2023
	2024	2024	DEER LAKE with hydel	1795	1526	1399	78%	92%				Awaiting detailed community information. Approx. 8 connections in progress. Housing, Safe House, Trailers,
	2024	2024	KASABONIKA	1600	1360	1249	78%	92%				Approx. 5 connections in progress. New School build.
	2023	2023	SACHIGO	1200	1020	938	78%	92%	976	81%	2020	(2) 3-plexes, (14) houses, (8) tiny homes (100A w/electric heat) requested for 2022
	2023	2022	KINGFISHER	1055	897	813	77%	91%				Arena upgrade and new school connections requested for 2022. Approx. 5 connections in progress.
2020	2023	x	LANSDOWNE	875	744	652	75%	88%	703	80%	2020	(6) duplexes (electric heat) requested for 2022, DGS upgrade planned for 2024
NOTIFICATION LINE 75% of Prime Rating												
	2033	x	ARMSTRONG/WHITESAND	1450	1233	1021	70%	83%	1093	75%	2019	
	2035	x	FORT SEVERN	1000	850	669	67%	79%				
	>2036	x	MARTEN FALLS	1060	901	616	58%	68%				

						2021 - 2022 Peak			5 Year Historic Peak			
Year Upgrade Identified with FN	Estimated Connection Restriction	Planned Grid Connection	Location	Station Prime Rating	Station Connection Limit	Peak (red = new record)	Percent of Station Rating	Percent of Connection Limit	Peak	Percent of Station Rating	Year	Notes
2007			BIG TROUT LAKE	1600	1360	1152	72%	85%	1757	110%	2020	Pumping station connection (176kW) requested, new school planned, DGS replacement planned for 2023. Approx. 15 connections in progress.
			WAPEKEKA	1230	1046	1175	96%	112%				New school under construction. Approx. 10 connections in progress.
	2023	2024	BTL/WAP COMBINED	2830	2406	2250	80%	94%	2275	80%	2021	BTL pumping station can be connected but there will be no capacity remaining for further connections prior to grid connection.

3 Unit Plant Rating
G1≤ G2 ≤ G3
Prime Plant Rating = G1 + G2
Connection Restriction Limit = (G1 + G2) x 85%

4 Unit Plant Rating
Plant Prime Rating = 2 Most Reliable Units + 300kW emergency unit
Connection Restriction Limit = Prime Plant Rating x 0.85

Big Trout Lake / Wapekeka Annual Variation
The connection point between these communities may be relocated on an annual basis to accommodate load shift, in order to minimize output at each station, improving reliability.
Ratings for each station follows standard 3 Unit Plant Rating methodology.

A - WATAYNEKANEYAP POWER LP (WPLP) INTERROGATORY - 4

Reference:

Exhibit A-3-1, Attachment 1, Page 3, Summary of Remotes Business

Preamble:

In Exhibit A-3-1, Attachment 1, Page 3:

> Consequently, Remotes continues to work with both the federal and provincial governments, the local communities and their project partners on providing reliable back-up power in communities post connection.

Interrogatory:

Please provide a summary of the feedback received through the activities described in the Preamble from the communities that do not have community wide back up plans insofar as any such feedback relates to or affects WPLP or WPLP's Transmission System.

Response:

Community wide back-up generation is not expected to have any material impact to WPLP's Transmission System, other than in providing emergency back-up power and performing operational transfer procedures should the grid fail. Consequently, those communities that do not have community wide back up plans have expressed concerns about the reliability of WPLP's Transmission system. Concerns have been raised by at-risk individuals, such as those requiring medical support devices dependent on electrical supply. Concerns about critical infrastructure back-up have also been expressed in terms of the timing, availability, operation, maintenance, and funding required. General feedback suggests that community wide back-up is preferred or desired.

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A - WATAYNEKANEYAP POWER LP (WPLP) INTERROGATORY - 5

Reference:

Exhibit A-6-1, Pages 1-2, Corporate Organization Charts

Preamble:

WPLP's understanding is that there have been certain changes to Hydro One Remotes' organizational structure. The following requested information would allow WPLP to know who to contact at Hydro One Remotes and their current roles.

Interrogatory:

Please confirm whether there have been any changes to Hydro One Remotes organizational structure. To the extent that the current organizational structure is different than the organizational structure filed in this proceeding, please update the structure and related evidence.

Response:

The changes to Hydro One Remotes organizational structure, effective September 1st, 2022, are as shown in Attachment 1 of this interrogatory response.

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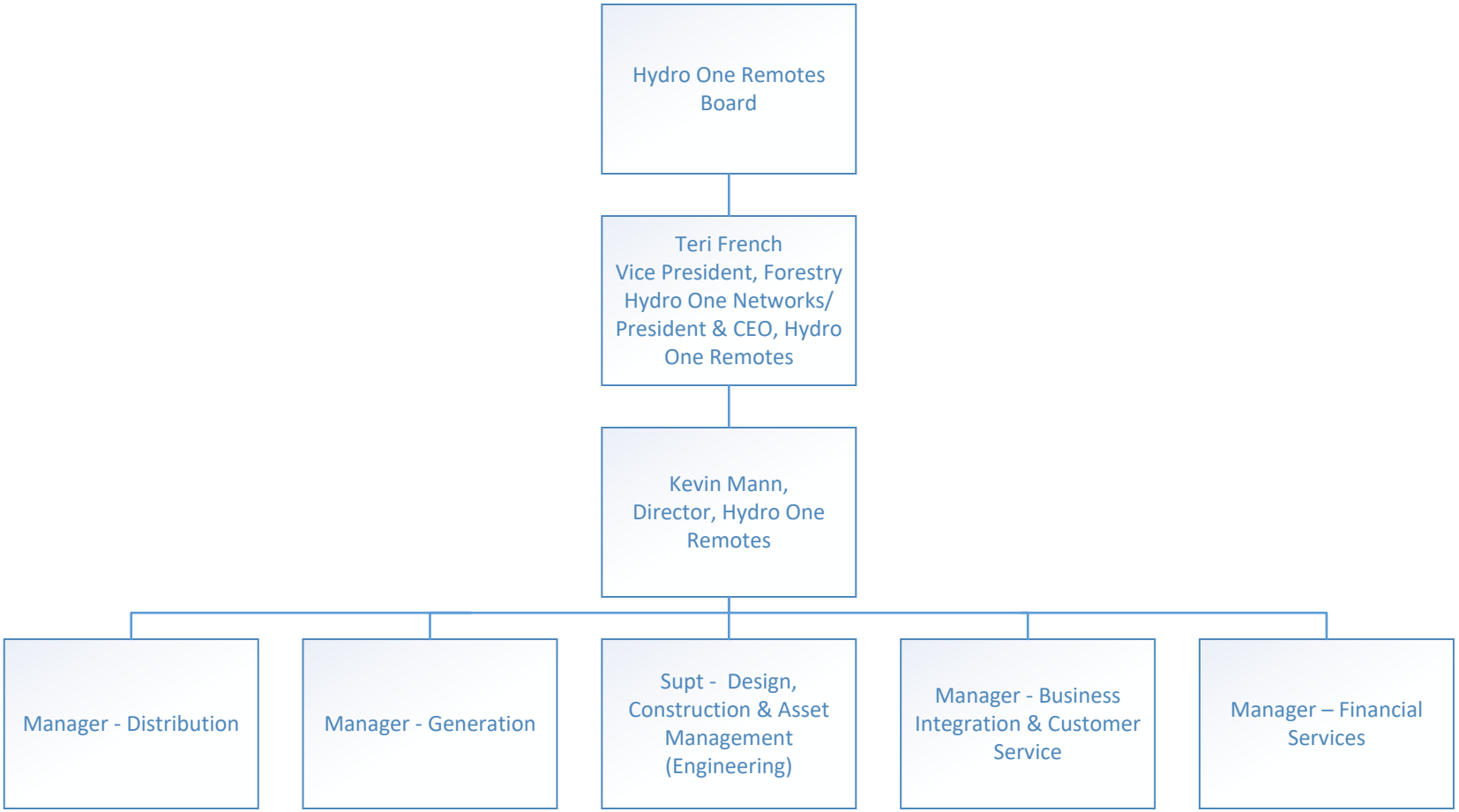
Hydro One Remotes Board
Teri French
Vice President, Forestry
Hydro One Networks/
President & CEO, Hydro One Remotes
Kevin Mann,
Director, Hydro One Remotes
Manager - Distribution
Manager - Generation
Supt - Design, Construction & Asset Management (Engineering)
Manager - Business Integration & Customer Service
Manager – Financial Services

A - WATAYNEKANEYAP POWER LP (WPLP) INTERROGATORY - 6

Reference:

Exhibit A-7-3, Page 2, Lines 10-12, Project and Program Approval and Control

Preamble:

In Exhibit A-7-3, Page 2, Lines 10-12:

> Projects funded by ISC are all subject to the Hydro One internal approval process described above. ISC-funded projects must also be approved by the local Band Council and are also approved following ISC's own internal funding processes.

In WPLP's view, capital projects can impact reliability of Hydro One Remotes local distribution system or back-up generation. The following requested information will provide valuable information to WPLP when determining construction timelines for the Transmission System and WPLP operation requirements once a First Nation is connected. The following requested information will also provide WPLP with the understanding of a connecting First Nation's expectations of Hydro One Remotes and could therefore influence WPLP's overall relationship with that First Nation.

Interrogatory:

For communities planned to be connected to WPLP's Transmission System, please provide any documents outlining a local Band Council's approval of projects, along with any requested work by that local Band Council that is not currently planned for completion within Hydro One Remotes work plan.

Response:

The approval of project process, which includes Band Councils Resolution's (BCR's) and/or letters of support from Band Councils, is between the First Nation and ISC or alternative funding programs (e.g. CMHC housing). Remotes is unable to provide the requested third-party information without consent. For a recent report on load growth and/or capital projects, that have been prepared with First Nations communities, their Tribal Councils and/or Indigenous Services Canada, please refer to the attachment accompanying interrogatory response A-WPLP-3.

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B - WATAYNEKANEYAP POWER LP (WPLP) INTERROGATORY - 7

Reference:

Exhibit B-2-1, Page 14, Distribution System Plan

Preamble:

In Exhibit B-2-1, Page 14:

> At the request of the communities connecting to the Watay Project, Remotes has also made a commitment to provide backup power to the communities after grid connection to ensure that these communities continue to have access to reliable electricity in the event of any grid-related outages.

Interrogatory:

a) Can Hydro One Remotes confirm that the planned backup solution meets the backup power requirements identified by each community connecting to WPLP's Transmission System? To the extent the backup solution does not meet the community requirements, please identify the community and any related gaps between requested backup and the planned backup solution and what steps Hydro One Remotes is undertaking to address any shortfalls.

b) For communities planned to connect to WPLP's Transmission System, can Hydro One Remotes provide a detailed update on the status of all activities and permits (e.g., section 28(2) permits) required by Hydro One Remotes to ensure the backup power solution for each community is in place when the community is planned to connect to WPLP's Transmission System?

Response:

a) For communities served by Hydro One Remotes, we can confirm that the planned backup solution meets the present-day backup power requirements of the community given they are operated by prime power now.

For IPA communities, it is assumed that the planned backup solution meets present-day backup power requirements of the community given they are operated by prime power now.

Converting the DGS plants to backup from prime power allows Hydro One Remotes to operate all generating units at once, thereby increasing the available capacity, since redundancy and fuel efficiency are not generally considered for an emergency backup situation. Total backup

capacity will still be restricted by the generation units in service, the switchgear, or the transformer rating, whichever is less.

Remotes will continue to monitor peak load after connection and assess suitability of the backup. The need for additional generation will be determined by community load growth. Based on recent aggressive community development, well in excess of normal growth, it is expected that some stations will be outgrown and will require incremental upgrades or improvements.

b) To date, no backup power supply agreements have been executed with IPA communities and no Section 28(2) permits issued for the provision of electricity service or backup power. The form of Section 28(2) permits and the Electrification Agreements is still being finalized with Indigenous Services Canada.

For existing Hydro One Remotes served communities, the Kingfisher back-up conversion at the existing DGS is now underway given its recent November 8, 2022 Watay grid connection. Back-up designs have been completed for Bearskin and Kasabonika, which are 2023 connecting communities. Remotes is confident that back-up will be in-place for these communities at or near grid connection.

For the 2023 connecting IPAs, Hydro One Remotes has assessed Wunnumin Lake DGS in December 2021 and Muskrat Dam DGS in November 2022. The Wawakapewin DGS has not been assessed for community wide backup by Remotes. Prior to operation of the IPA stations, the IPAs must execute a backup supply agreement, satisfy the conditions precedent in that agreement, which includes the issuance of a Section 28(2) permit), the station meeting a sound operating standard, and environmental site assessments being complete. Remotes has limited influence on this work or its execution. Remotes is less confident that backup will be in-place for the current IPA communities at or near grid connection.

OSLP is a Watay partner responsible for community readiness including backup power. OSLP prepares a monthly backup status report, but since Remotes is not the owner, we cannot share that report without its consent.

B - WATAYNEKANEYAP POWER LP (WPLP) INTERROGATORY - 8

Reference:

Exhibit B-2-1, Page 32, Distribution System Plan

Preamble:

In Exhibit B-2-1, Page 32:

> Remotes participates in all aspects of the engagements related to the Wataу Project that, once complete, will connect 16 indigenous northern communities to the bulk transmission system. Out of these 16 communities, 10 are currently served by Remotes and 6 are unregulated IPAs being added to Remotes customer base. The key engagements are related to transmission connection planning, transmission connection funding, regulatory support for IPAs, and diesel generation backup.

Interrogatory:

Please provide a summary of the feedback received from the communities as part of the activities described in the Preamble insofar as the feedback relates to or affects WPLP or the WPLP's Transmission System.

Response:

Feedback received to date from communities includes:

Transmission connection planning,

- Timing of grid connection?
- What changes after grid connection?
- Employment both during construction and after
- Land use and permits
- Routing
- Stations
- Construction camps
- Forestry
- Wildlife, hunting, fishing impacts
- Construction schedule delays impacting community connections

Transmission connection funding,

- How do we make money?
- When do we as a community see the benefits?
- Who pays for transmission connection?
- Will our bills go up once connected?

Regulatory support for IPAs

- What does it mean to be served by a regulated utility?
- Who can provide regulatory and legal support?
- What happens if we don't select Hydro One Remotes?
- What other LDC options do we have?
- Why can't we do it ourselves?
- What does it mean to be a regulated utility? What rules and reporting do we need to follow?

Diesel generation backup

- Previous back-up studies
- Reliability before and after grid connection
- Operations and Response times
- Is back-up sufficient?
- What is difference between community wide back-up vs. critical asset back-up?
- When and how back-up response will work?
- Why back-up won't always help for local outages?
- Local re-use of surplus fuel tanks
- Local operator impacts
- Testing and maintenance

B - WATAYNEKANEYAP POWER LP (WPLP) INTERROGATORY - 9

Reference:

Exhibit B-2-1, Page 35, Distribution System Plan

Preamble:

In Exhibit B-2-1, Page 35:

> As part of this effort, Remotes has met and continues to meet with community leadership, IPA representatives and their advisors from North Spirit Lake First Nation, Wunnumin Lake First Nation, Muskrat Dam Lake First Nation, Wawakapewin First Nation, Poplar Hill First Nation, and Keewaywin First Nation. In addition to transition requirements, information shared included ESA requirements, Ontario regulations, OEB programs, and rate setting.

Interrogatory:

Please provide a summary of the feedback received from the communities as part of the activities described in the Preamble insofar as the feedback relates to or affects WPLP or WPLP's Transmission System.

Response:

IPA communities have provided similar feedback as shown in interrogatory response B-WPLP-08. In addition to those items noted, IPAs provided feedback on:

- Loss of control
- Ownership
- Local employment
- Asset condition (Generation & Distribution)
- Use of assets (Generation & Distribution)
- Compensation
- Rates, billing, payment, and collections
- Low income and elder support
- Programs
- Remotes Operating Infrastructure requirements (House, Compound, etc.)
- ESA
- Trouble response
- Community and customer impacts

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B - WATAYNEKANEYAP POWER LP (WPLP) INTERROGATORY - 10

Reference:

Exhibit B-2-1, Page 58, Distribution System Plan

Preamble:

In Exhibit B-2-1, Page 58:

> **Average Number of Hours that Power to a Customer in Interrupted:** In 2017, the number of planned outages was high as a result of Remotes conducting planned equipment replacements and making improvements to the distribution system. For 2020, Remotes reported an average outage duration of 8.3 hours, which is 1.7 hours worse than 2019 (6.6) and 0.9 hours worse than the OEB target of 7.4. This was due to outages caused by an increase in tree contacts and adverse weather.

Interrogatory:

Can Hydro One Remotes confirm whether there has been any change in their vegetation management program following the increased tree contacts in 2020? Please also provide Hydro One Remotes' current vegetation procedure used to manage vegetation in connection with the facilities servicing communities that are planned to be connected to WPLP's Transmission System.

Response:

There have been no changes in Hydro One Remotes vegetation management program. Hydro One Remotes vegetation management program is described in the DSP, Exhibit B-02-01, pages 85-86. Remotes current vegetation management procedures do not differ with respect to servicing communities (including IPA's) that are planned to connect to WPLPs Transmission system.

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B - WATAYNEKANEYAP POWER LP (WPLP) INTERROGATORY - 11

Reference:

Exhibit B-2-1, Page 97, Distribution System Plan

Preamble:

In Exhibit B-2-1, Page 97:

> No changes have been made to Remotes' asset life optimization policies and processes since the last DSP filing. However, the Watay Project has introduced additional considerations as it relates to generation asset life optimization since 24/7 prime power from diesel generation may not be a key consideration in all communities. The Watay Project is expected to drastically change Remotes' business and operations during the forecast period and Remotes' lifecycle optimization policies and practices will continue to evolve with these changes.

Interrogatory:

Can Hydro One Remotes identify which of its lifecycle optimization policies and practices have changed, or are expected to change, because of WPLP's Transmission System? For any such policies and practices, please describe the nature of any changes or expected changes.

Response:

Please refer to the DSP, Exhibit B-2-1, page 61.

Changes to lifecycle optimization policies and practices include:

- Shorter-term and temporary generation solutions – Work is being done to satisfy community requirements due to Watay grid delays and community growth, which impacts asset selection, design, and installation. For example, a Wapekeka unit is currently being installed in the former storage room, so the new school can be connected. A generator unit on a trailer, is also going to be installed in Sandy Lake. These are less than ideal solutions which would not have been done under normal prime power operations.
- Harvesting and extension of existing assets – Some assets are not being replaced or run over scheduled overhaul or replacement intervals. By example, North Caribou A unit is beyond normal replacement hours and North Caribou B requires an 20K overhaul, but the work was not done due to grid connection.

- Modular generation – introduction of modular generation instead of long term permanent prime power station in Big Trout Lake (KI), due to pending grid connection, and the expected reduction in maintenance due to its use for back-up power.
- Maintenance practices – Backup generators are expected to require reduced maintenance due to reduced running hours. Some maintenance practices that are currently based on running hours will evolve to being time based (i.e. oil changes may be done every 6 or 12 months even if the running hours are low).
- New practices – Backup generation will require some new practices. For instance, fuel is never more than a few months old when used in a prime power station. Fuel for backup stations could sit for years before being used, which could negatively impact the generators.

B - WATAYNEKANEYAP POWER LP (WPLP) INTERROGATORY - 12

Reference:

Exhibit B-2-1, Page 117, Distribution System Plan

Preamble:

In Exhibit B-2-1, Page 117:

> As shown in Figure 5.4-6, the forecast average for general plant is approximately 62% higher than the historical plus bridge year average. This is primarily due to the expansion / relocation of the Beaverhall Facility in 2022-2023 to accommodate the anticipated growth in workforce and space requirements associated with the Watay Project, growing business complexity and the addition of the seven new communities to Remotes' customer base (six grid-connected IPA communities plus Cat Lake).

Interrogatory:

a) For each of the 6 IPA communities planned to connect to the WPLP's Transmission System:

   i. please provide a detailed update (including any areas of concern) regarding the status of all activities and permits (e.g., section 28(2) permits) required by Hydro One Remotes to ensure such IPA communities are in a position to connect to the WPLP's Transmission System as planned; or, as applicable,

   ii. please confirm that Hydro One Remotes has completed all required actions and obtained all required permits to connect such IPA communities when the IPA communities are currently planned to be connected to WPLP's Transmission System.

b) Please describe any updates required to the preventative maintenance and emergency response plans for the IPA communities as a result of their connection to WPLP's Transmission System. Specifically, please provide detailed information on Hydro One Remotes' plan for preventative maintenance and emergency response activities for Wawakapewin First Nation.

Response:

a)

i. There are no new permits in place for the provision of electrical services to ensure such IPA communities are in a position to connect to the WPLP's Transmission System as planned. The IPAs need to confirm their intent to be served by Hydro One Remotes, and agree to the various agreement terms and conditions, satisfy the conditions precedent, request the issuance of the permit by Indigenous Services Canada (ISC), prior to the issuance of any permit by ISC. IPAs fulfilling the IPA Community UCA/Transfer agreement terms and conditions prior to grid connection (including permits), is a significant project risk. We are continuing to work with OSLP, who is responsible for community readiness in cooperation with the communities, on these activities.

ii. See above.

b) The expectation is that the existing practices in place for preventative maintenance and emergency response plans for communities currently served by Remotes will be fully utilized and transferred to the IPAs.

The expectation is that the existing practices in place for preventative maintenance and emergency response plans for communities currently served by Remotes will be fully utilized and transferred to Wawakapewin as well. For the service of Wawakapewin, Hydro One Remotes requires similar infrastructure requirements to the other IPAs and existing communities (i.e., compound, house, garage, etc.) with the addition of a helipad. Transportation to Wawakapewin for preventative maintenance and emergency response plan will be done by helicopter, or when seasonally available, winter road or float plane. Additionally, the overall service in Wawakapewin is expected to be different that the other Remotes' communities as described in EB-2022-0083, due to its remote and isolated location.

B - WATAYNEKANEYAP POWER LP (WPLP) INTERROGATORY - 13

Reference:

Exhibit B-2-1, Page 119, Distribution System Plan

Preamble:

In Exhibit B-2-1, Page 119:

> Finally, by participating in, and advocating for the Watay Project, Remotes is working towards a large fuel cost reduction, much lower emissions and reduced capital and OM&A expenditures on diesel plants, and a more flexible power solution for its customers.

Interrogatory:

Please provide an estimate of the estimated reductions in fuel costs, emissions and capital and OM&A expenditures on diesel plants.

Response:

Please refer to Attachment 2 of interrogatory response A-Staff-02 for expected reductions in fuel costs and OM&A. Deferrals or capital reductions are difficult to forecast given the variability in community load growth and ISC funding processes.

Based on a comparison of 2021 (the last actual year) and 2025 (the first full year of grid connected communities), we are expecting a decrease in TCO2e emissions from 75,765 to 26,492 as provided in the following table:

Absolute Emissions (tCO2e)	Actual 2021	Actual 2025	Increase (Decrease)
Direct Emissions			
Off Grid	55,030	18,159	(36,871)
Backup	-	1,268	1,268
Fleet Transport (owned) (Gasoline & Diesel Vehicles)	105	105	-
Natural Gas Consumption at Beaverhall Office	52	52	-
Total Direct Emissions	55,187	19,583	(35,603)
Energy Indirect Emissions			
Electricity Consumption (Beaverhall)	9	9	-
Total Direct Emissions	9	9	-
Other Indirect Emissions			
Fuel transport via Road and WR	188	80	(108)
Fuel transport via Air (Off Grid)	18,090	3,195	(14,895)
Fuel transport via Air (Backup)	-	1,012	1,012
Fuel transport via Air (FN Tanks)	497	559	61
Fuel transport via Barge (assumed Air)	259	517	258
Staff Transport (Air)	1,535	1,538	2
Total Other Indirect Emissions	20,569	6,900	(13,670)
Total Direct Emissions	**55,196**	**19,592**	**(35,603)**
Total Emissions	**75,765**	**26,492**	**(49,273)**

B - WATAYNEKANEYAP POWER LP (WPLP) INTERROGATORY - 14

Reference:

Exhibit A-1-5, Page 1, Lines 22-26, Performance Management

Preamble:

In Exhibit A-1-5, Page 1:

> **Custom Metric set in the pervious DSP filing**: In the last DSP filing, Remotes presented several custom performance metrics that were reflective of Remotes' business and operations at the time of filing. Several of these metrics however, will no longer be applicable in subsequent DSPs because of the impact of the Watay Project on Remotes' operations.

Interrogatory:

a) Please identify the specific metrics that will no longer be applicable.

b) Please discuss any additional performance metrics that Hydro One Remotes is considering as its distribution systems become connected to WPLP's Transmission System.

c) Please summarize the results of any engagement completed by Hydro One Remotes related to performance expectations and appropriate performance metrics following connection to WPLP's Transmission System. Please emphasize any areas where performance expectations and/or targets are expected to change following such connection.

Response:

a) Metrics related to distribution losses, annual diesel generator efficiency, and percentage of energy generated from renewable sources will be removed from subsequent DSPs.

b) Remotes is considering separate on-grid and off-grid reliability reporting measures and metrics. Remotes is also considering a back-up power utilization measure such as %-back-up or hours used. Specific reliability and service measures for Wawakapewin are also under consideration.

Internal scorecard metrics such as health, safety, customer, productivity, and environmental stewardship etc., will be adjusted to reflect changing business goals impacted by grid connection. By example, Watay metering %, or downtime, may be tracked or Watay operational procedure development or improvements may be a productivity measure.

c) During community engagement, Remotes has focused on providing stakeholders the grid reliability study data specific to their community, which generally spurs into discussion related to outage response and the need for back-up power. Previous reliability studies suggest that grid reliability will be worse than existing off-grid reliability and as such expectations and targets may change.

For metrics and measures going forward, Remotes does have some anticipated changes related to customer satisfaction results and surveys, as most residential customers and some band leadership representatives will have a hard time distinguishing between Remotes and Watay.

B - WATAYNEKANEYAP POWER LP (WPLP) INTERROGATORY - 15

Reference:

Exhibit B-2-1, Pages 515-516, 525-528, 559-590, 599, Distribution System Plan
EB-2018-0190 (Watay LTC Application), Exhibit B-4-1, Appendix D

Preamble:

In the December 2018 Backup Power Report, Hydro One Remotes discussed and provided estimates of technically feasible alternative solutions (e.g. new containerized DGS) for First Nation communities where the existing Diesel Generating Stations could not be repurposed for community-wide backup power. In November 2019, Hydro One Remotes produced a subsequent report providing additional detail on the containerized DGS option for several communities. The April 2020 Backup Power Plan indicates that all communities passed resolutions supporting community-wide backup, but indicates the recommended option is "critical asset only" for three communities (North Caribou Lake, Pikgangikum and Wawakapewin). The IESO's supported scope for the Remotes Connection Project indicated that *"The backup supply resources, at a minimum, will maintain supply to essential loads within critical buildings (nursing station, airport, water treatment plant, and at least one of school/band office/community centre) in each community, consistent with each community's Emergency Preparedness Plan."*

Interrogatory:

In respect of the three First Nations (North Caribou Lake, Pikgangikum and Wawakapewin) where the recommended backup power option is "critical asset only":

a) Please provide detail on any technical, financial and other factors that influenced the decision for each of the three First Nations. Was the recommendation primarily due to financial considerations, or due to timing required to resolve non-financial factors?

b) If the critical asset only recommendation was primarily due to non-financial considerations (e.g. technical issues that couldn't be resolved pre-connection), has Hydro One Remotes investigated the feasibility of implementing community-wide backup power post-connection?

c) If the critical asset only recommendation was primarily due to financial considerations, was consideration given to any additional investments in WPLP's Transmission System and/or additional operating costs that may be required to achieve similar levels of reliability for these three communities compared to the communities with community-wide backup power?

d) Did Hydro One Remotes review each First Nation's Emergency Preparedness Plan? If such a plan was not available, or the plan did not contemplate backup power following grid connection, what did Hydro One Remotes consider as evidence of the First Nation's position with respect to emergency preparedness and back up power? In particular, please confirm whether each Chief and Council has endorsed the "critical asset only" recommendation and/or whether Band council resolutions supporting this approach were available and considered. If not, please explain why.

Response:

a) Remotes was not the author of the April 2020 Backup Power Plan and was a participant only in the back-up working group. The recommendation for "critical asset only" backup, in respect of the three First Nations communities, was not made by Remotes. The Remotes support letter dated May 8, 2020, within the April 2020 Backup Power Plan, provides additional context relating to the three communities, as well as Remote's preference to provide community wide back-up power.

b) Refer to a).

c) Refer to a).

d) No. Hydro One Remotes has neither reviewed nor been provided with each First Nation's Emergency Preparedness Plan, as this is outside of the scope of Remotes role. It was the role of Watay to explore back-up power solutions, so there is no requirement for Remotes to seek Band council support.

D - WATAYNEKANEYAP POWER LP (WPLP) INTERROGATORY - 16

Reference:

Exhibit B-1-1, Page 3, Rate Base and Working Capital
Exhibit D-1-2, Page 4, Generation OM&A
Exhibit D-2-2, Page 1, Costing of Work

Interrogatory:

Hydro One Remotes states that it incurs costs related to construction and maintenance of staff houses in most communities that it serves.

a) Please provide the approximate usage rate (e.g. % occupancy) of staff houses during a typical year.

b) Would Hydro One Remotes be agreeable to renting staff house accommodations (assuming availability) to WPLP and its service providers in order to increase the usage rate of these facilities?

Response:

a) Hydro One Remotes does not track housing occupancy. Given a 4-day work week for trades, multiple crews, multiple locations, travel times and similar TWE utilization as a comparator, the overall occupancy of staff houses is estimated at 5-20% annually.

b) Staff house use by other parties, other than Hydro One, is often prohibited in either our existing electrification or 28(2) permits.

When available and required, Remotes does currently rent out its staff houses to Provincially/Federally related groups and/or agencies including: ESA, MTO, MNRF, OPP, and NAPS for emergency or incident response such as evacuation, forest fire, flooding, crime, etc. or selected contractors (i.e., Bell) on Hydro One related work. Remotes is a non-commercial entity, and potential renters must exhaust community housing and accommodations first and be involved in an urgent situation (i.e., emergency or incident response).

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